

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORTS**

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Gogebic County	County Gogebic
Fiscal Year End December 31, 2006	Opinion Date June 27, 2007	Date Audit Report Submitted to State June 29, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SE
W
Z

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not needed	
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit Reports	
Certified Public Accountant (Firm Name) Joki, Makela & Pollack, PLLC		Telephone Number 906-932-4430	
Street Address 301 N. Suffolk Street		City Ironwood	State MI
		Zip 49938	
Authorizing CPA Signature <i>Dean Beaudoin, CPA</i>		Printed Name Dean Beaudoin	License Number 1101014194

CONTENTS

Audited Financial Statements:	
Independent Auditor's Report	Page 4
Management's Discussion and Analysis	6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	18
Fund Financial Statements:	
Combined Balance Sheet – Governmental Funds	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	21
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds with the Statement of Activities	23
Proprietary Funds:	
Combined Statement of Net Assets	24
Combined Statement of Revenues, Expenses and Changes in Net Assets	26
Combined Statement of Cash Flows	27
Combined Statement of Fiduciary Net Assets – Fiduciary Funds	29
Statement of Changes in Fiduciary Net Assets – Pension Trust Fund	30
Component Units:	
Combined Statement of Net Assets	31
Combined Statement of Activities	33
Notes to Financial Statements	35
Required Supplemental Information:	
Budgetary Comparison Schedule – Major Governmental Funds	76
Other Financial Information:	
Combining Balance Sheet – Governmental Funds	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	79

CONTENTS (CONTINUED)

Other Financial Information (Continued):

General Fund:

Balance Sheet	80
Statement of Revenues - Estimated and Actual	81
Statement of Appropriations and Expenditures	83

Special Revenue Funds:

Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	90

Debt Service Funds:

Combining Balance Sheet	94
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	95

Enterprise Funds:

Combining Statement of Net Assets	96
Combining Statement of Revenues, Expenses and Changes in Net Assets	98
Combining Statement of Cash Flows	99

Internal Service Funds:

Combining Statement of Net Assets	101
Combining Statement of Revenues, Expenses and Changes in Net Assets	102
Combining Statement of Cash Flows	103

Fiduciary Funds:

Combining Balance Sheet - Agency Funds	104
Combining Statement of Changes in Assets and Liabilities - Agency Funds	105
Statement of Plan Net Assets - Pension Trust Fund	107

Schedule of Expenditures of Federal Awards	108
--	-----

Notes to Schedule of Expenditures of Federal Awards	110
---	-----

Schedule of Airport Passenger Facility Charges Collected and Expended	111
---	-----

Supplemental Reports:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	A-1
---	-----

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	B-1
---	-----

Schedule of Findings and Questioned Costs	B-3
---	-----

Summary Schedule of Prior Audit Findings	B-5
--	-----

JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

301 N. SUFFOLK STREET

IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
W. J. JOKI, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
MEMBERS

TELEPHONE
906-932-4430

FAX
906-932-0677

EMAIL
jmp@ironwoodcpa.com

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
Gogebic County, Michigan
Bessemer, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Gogebic County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the basic financial statements of Gogebic County, Michigan, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Gogebic County, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable; thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2007, on our consideration of Gogebic County, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 14 and page 76 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gogebic County, Michigan's basic financial statements. The accompanying Other Financial Information and the Schedule of Airport Passenger Facility Charges Collected and Expended as required by the Federal Aviation Administration of the U.S. Department of Transportation to implement Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Gogebic County, Michigan. The Other Financial Information and the Schedule of Airport Passenger Facility Charges Collected and Expended and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Toti, Mahala & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
June 27, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

Management's Discussion and Analysis

This section of the Gogebic County, Michigan's (County) annual financial report presents our discussion and analysis of the County's financial performance during the year ended December 31, 2006. It is to be read in conjunction with the County's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the fiscal year ending December 31, 2006.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the County as a whole. The statements are prepared using the accrual method of accounting which is the accounting method used by most private sector businesses. The statement of net assets includes all of the County's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental and business-type activities and component units of the County that include all services performed by the County. These activities are funded primarily by property taxes, charges for services and by federal and state grants.

The statement of net assets shows the County's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets or deficit of the County. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the County; the greater the net asset figure, the healthier the financial position of the County generally is. It helps management determine if the County will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the County. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the County.

Fund Financial Statements

The County's fund financial statements show detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund, Revenue Sharing Reserve Fund, Medical Care Facility, Airport Funds and Forestry and Parks Commission. All other funds are considered nonmajor and are reported as one column.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements (Continued)

Governmental funds are reported in the fund financial statements and contain nearly the same functions reported as governmental activities in the government-wide financial statements. However, the fund statements provide a different view of the County's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds are reported in the fund financial statements and generally report services for which the County charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds basically include the same functions reported as business-type activities in government-wide financial statements. Internal service funds are used to account for monies advanced by the County to pay the County and other local taxing units for their delinquent real property taxes. Because the County's internal service funds primarily serve governmental functions, they are included within the governmental activities of the government-wide financial statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds. Individual fund information for internal service funds and non-major enterprise funds is found in combining statements in a later section of this report.

Fiduciary funds such as the employee pension plans are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund County programs. Fiduciary fund financial statements report similarly to proprietary funds.

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets

The following are condensed statements of net assets with a detailed analysis of the statements below.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

	December 31, 2006			
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and investments	\$ 4,110,494	\$ 1,428,076	\$ 5,538,570	\$ 1,012,530
Accounts receivable	2,012,446	860,726	2,873,172	1,218,286
Other current assets	<u>62,656</u>	<u>92,202</u>	<u>154,858</u>	<u>842,613</u>
Total Current Assets	\$ 6,185,596	\$ 2,381,004	\$ 8,566,600	\$ 3,073,429
Noncurrent Assets:				
Other assets - reserved cash		\$ 972,308	\$ 972,308	\$ 256,888
Noncurrent receivable	\$ 370,000		370,000	
Capital assets, net of accumulated depreciation	<u>1,660,537</u>	<u>5,444,844</u>	<u>7,105,381</u>	<u>10,166,275</u>
Total Noncurrent Assets	\$ 2,030,537	\$ 6,417,152	\$ 8,447,689	\$ 10,423,163
Total Assets	<u>\$ 8,216,133</u>	<u>\$ 8,798,156</u>	<u>\$ 17,014,289</u>	<u>\$ 13,496,592</u>
LIABILITIES				
Accounts payable	\$ 143,805	\$ 385,756	\$ 529,561	\$ 639,087
Accrued payroll and related fringe benefits	93,986	221,442	315,428	229,862
Deferred revenues	1,291,218	162,895	1,454,113	407,326
Other current liabilities	<u></u>	<u>13,148</u>	<u>13,148</u>	<u>634,844</u>
Total Current Liabilities	\$ 1,529,009	\$ 783,241	\$ 2,312,250	\$ 1,911,119
Long-term liabilities	<u>563,273</u>	<u>450,598</u>	<u>1,013,871</u>	<u>1,825,416</u>
Total Liabilities	<u>\$ 2,092,282</u>	<u>\$ 1,233,839</u>	<u>\$ 3,326,121</u>	<u>\$ 3,736,535</u>
NET ASSETS				
Investment in capital assets, net of related debt	\$ 1,660,537	\$ 5,386,312	\$ 7,046,849	\$ 8,688,679
Restricted	75,882	31,099	106,981	97,629
Unrestricted	<u>4,387,432</u>	<u>2,146,906</u>	<u>6,534,338</u>	<u>973,749</u>
Total Net Assets	<u>\$ 6,123,851</u>	<u>\$ 7,564,317</u>	<u>\$ 13,688,168</u>	<u>\$ 9,760,057</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

	December 31, 2005			
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and investments	\$ 3,190,294	\$ 575,157	\$ 3,765,451	\$ 939,874
Accounts receivable	3,811,103	1,205,118	5,016,221	1,250,278
Other current assets	<u>2,500</u>	<u>94,477</u>	<u>96,977</u>	<u>899,619</u>
Total Current Assets	\$ 7,003,897	\$ 1,874,752	\$ 8,878,649	\$ 3,089,771
Noncurrent Assets:				
Other assets - reserved cash		\$ 422,837	\$ 422,837	\$ 281,350
Noncurrent receivable	\$ 435,000		435,000	
Capital assets, net of accumulated depreciation	<u>1,671,310</u>	<u>5,690,710</u>	<u>7,362,020</u>	<u>9,454,273</u>
Total Noncurrent Assets	\$ 2,106,310	\$ 6,113,547	\$ 8,219,857	\$ 9,735,623
Total Assets	<u>\$ 9,110,207</u>	<u>\$ 7,988,299</u>	<u>\$ 17,098,506</u>	<u>\$ 12,825,394</u>
LIABILITIES				
Accounts payable	\$ 141,880	\$ 226,474	\$ 368,354	\$ 403,101
Accrued payroll and related fringe benefits	92,993	175,143	268,136	231,547
Deferred revenues	2,926,229		2,926,229	450,910
Other current liabilities	<u></u>	<u></u>	<u></u>	<u>353,157</u>
Total Current Liabilities	\$ 3,161,102	\$ 401,617	\$ 3,562,719	\$ 1,438,715
Long-term liabilities	<u>628,773</u>	<u>414,961</u>	<u>1,043,734</u>	<u>2,176,054</u>
Total Liabilities	<u>\$ 3,789,875</u>	<u>\$ 816,578</u>	<u>\$ 4,606,453</u>	<u>\$ 3,614,769</u>
NET ASSETS				
Investment in capital assets, net of related debt	\$ 1,671,310	\$ 5,676,969	\$ 7,348,279	\$ 7,867,231
Restricted	63,625	29,237	92,862	70,523
Unrestricted	<u>3,585,397</u>	<u>1,465,515</u>	<u>5,050,912</u>	<u>1,272,871</u>
Total Net Assets	<u>\$ 5,320,332</u>	<u>\$ 7,171,721</u>	<u>\$ 12,492,053</u>	<u>\$ 9,210,625</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

The County's net assets and component unit net assets are \$13,668,168 and \$9,760,057 at December 31, 2006, respectively. The County's net assets and component unit net assets are \$12,492,053 and \$9,210,625 at December 31, 2005, respectively. Capital assets, net of related debt are \$7,046,849 and \$8,688,679 at December 31, 2006, respectively. Capital assets, net of related debt are \$7,348,279 and \$7,867,231 at December 31, 2005, respectively. Capital assets, net of related debt, is derived by taking the original costs of the County's assets, subtracting accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. Component unit capital assets include infrastructure assets of \$7,441,184 at December 31, 2006 and \$6,245,936 at December 31, 2005.

Restricted net assets are restricted for maintenance of effort tax collections, long-term portion of notes receivable and for future road maintenance.

The unrestricted net assets are \$6,534,338 and \$973,749 as of December 31, 2006, respectively. The unrestricted net assets are \$5,050,912 and \$1,272,871 as of December 31, 2005, respectively. This is the net accumulated results of the current and past years' operations. The nature of the County's operations is based on property taxes, charges for services, state aid, federal grants and local funds received to fund various programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities

The results of operations for the County as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year.

	<u>Year ended December 31, 2006</u>			
	<u>Primary Government</u>			
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Component</u>
	<u>Activities</u>	<u>Activities</u>		<u>Units</u>
Revenue -				
Program Revenues:				
Charges for services	\$ 855,639	\$ 9,542,336	\$ 10,397,975	\$ 1,296,815
Operating grants and contributions	1,256,667	416,066	1,672,733	7,782,777
General Revenues:				
State aid	10,259		10,259	943,789
Property taxes	3,931,821	130,106	4,061,927	
Other	945,101	(29,556)	915,545	4,774,356
Total Revenue	\$ 6,999,487	\$ 10,058,952	\$ 17,058,439	\$ 14,797,737
Program expenses:				
Governmental activities	\$ 6,195,968		\$ 6,195,968	
Business-type activities		\$ 9,666,356	9,666,356	
Component unit				\$ 14,248,305
Total Program Expenses	\$ 6,195,968	\$ 9,666,356	\$ 15,862,324	\$ 14,248,305
Increase in Net Assets	\$ 803,519	\$ 392,596	\$ 1,196,115	\$ 549,432

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities (Continued)

	<u>Year ended December 31, 2005</u>			
	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Revenue -				
Program Revenues:				
Charges for services	\$ 892,423	\$ 8,653,236	\$ 9,545,659	\$ 1,472,873
Operating grants and contributions	1,521,920	458,749	1,980,669	7,857,928
General Revenues:				
State aid	10,860		10,860	831,468
Property taxes	3,164,553	120,415	3,284,968	
Other	<u>861,996</u>	<u>62,755</u>	<u>924,751</u>	<u>4,643,984</u>
Total Revenue	\$ 6,451,752	\$ 9,295,155	\$ 15,746,907	\$ 14,806,253
Program expenses:				
Governmental activities	\$ 6,436,586		\$ 6,436,586	
Business-type activities		\$ 9,208,034	9,208,034	
Component unit	<u> </u>	<u> </u>	<u> </u>	<u>\$ 13,263,046</u>
Total Program Expenses	\$ 6,436,586	\$ 9,208,034	\$ 15,644,620	\$ 13,263,046
Increase in Net Assets	\$ <u>15,166</u>	\$ <u>87,121</u>	\$ <u>102,287</u>	\$ <u>1,543,207</u>

The County had an overall increase in net assets of \$1,196,115 for the year ended December 31, 2006, and component units had an overall increase in net assets of \$549,432. The largest increase in the net assets for the governmental activities was due to an increase in net assets for the Revenue Sharing Fund. The Fund received \$485,326 more property taxes than it transferred to the General Fund for the year. The largest increase in net assets for the business-type activities was due to an increase in net assets for Medical Care Facility of \$677,373. The Medical Care Facility received an increase in its daily per patient rate during the year ended December 31, 2006, over what it received during the year ended December 31, 2005. The largest increase in component unit net assets was attributable to the County Road Commission. Starting January 1, 2003, the County Road Commission capitalizes infrastructure outlay instead of expensing these items. Operating grants and contributions continue to be recognized as program revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities (Continued)

The County had an overall increase in net assets of \$102,287 for the year ended December 31, 2005, and component units had an overall increase in net assets of \$1,543,207. The largest increase in the net assets for the governmental activities was due to an increase in net assets for the General Fund. The General Fund received more operating transfers in for the year ended December 31, 2005, then it did for the year ended December 31, 2004. The largest increase in net assets for the business-type activities was due to an increase in net assets for Forestry and Parks Commission of \$280,843. The Forestry and Parks Commission revenues from timber sales increased during the year ended December 31, 2005. The largest increase in component unit net assets was attributable to the County Road Commission. Operating grants and contributions continue to be recognized as program revenues.

The County's total revenues totaled \$17,058,439 and its component unit total revenues totaled \$14,797,737 for the year ended December 31, 2006. The County's total revenues totaled \$15,746,907 and its component unit total revenues totaled \$14,806,253 for the year ended December 31, 2005.

For the year ended December 31, 2006, the County's total cost to fund all governmental activities was \$6,195,968, business-type activities was \$9,666,356 and component units was \$14,248,305. A majority of these costs were funded by property taxes and state aid. This shows the County has reliance on property taxes and state aid to provide future funding for their programs and administrative costs.

Governmental Fund Budgetary Items

During the year, the County revised its original budget several times to account for the changing environment of funding sources, generally in the federal grant area. The most significant budget to actual variance was in the Special Revenue Funds budget for Capital Outlay. A schedule showing the County's General Fund original budget, final budget and the actual results are included as required supplementary information in the financial section of the audit report.

Capital Assets

At December 31, 2006, the County had \$7,105,381 invested in capital assets net of depreciation and its Component units had \$10,166,275 invested. The County's net capital assets decreased during the past fiscal year by \$256,639, consisting of additions totaling \$542,113, disposals of \$99,779 and depreciation charges of \$698,973. The component unit's capital assets increased during the year by \$712,002, consisting of additions totaling \$1,505,375, disposals of \$11,323, and depreciation charges of \$782,050. The majority of the increase consisted of Road Commission infrastructure additions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Debt

The County had \$1,027,019 of long-term liabilities at December 31, 2006 and its component units had \$2,028,778. These amounts consist of a revenue bond payable, notes payable, accrued paid time off benefits payable to employees and a capital lease.

Future Considerations

The elimination of state revenue sharing payments and budget cuts, increasing reliance of certain Special Revenue Funds on General Fund support and increasing health insurance costs will impact the future financial condition of the County. The County has adopted a budget for the upcoming fiscal year that should not over expend its funding and should leave the County with a positive Fund Balance.

Contacting the County

If you have any questions about this report or need additional information, contact the County offices at Gogebic County, 200 N. Moore Street, Bessemer, MI 49911; telephone number (906) 663-4517.

BASIC
FINANCIAL
STATEMENTS

STATEMENT OF
GOGEBIC COUNTY,
December 31,

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		
ASSETS				
Cash	\$ 4,110,494	\$ 914,317	\$ 5,024,811	\$ 330,083
Investments		513,759	513,759	682,447
Receivables (net, where applicable, of allowances for uncollectibles):				
Taxes	1,761,893	155,635	1,917,528	
Accounts		629,692	629,692	121,231
State of Michigan	124,424	20,574	144,998	1,030,744
Notes	53,916		53,916	66,311
Other	72,213	54,825	127,038	
Due from other funds	62,656	1,140	63,796	
Inventories		70,995	70,995	522,703
Deferred and prepaid expenses		20,067	20,067	319,910
Noncurrent receivable for general obligation indebtedness	370,000		370,000	
Capital assets:				
Land, buildings, equipment and infrastructure	4,156,116	16,456,778	20,612,894	17,175,071
Less: Accumulated depreciation	(2,495,579)	(11,077,037)	(13,572,616)	(7,008,796)
Construction in progress		65,103	65,103	
Other assets-reserved cash		972,308	972,308	256,888
Total Assets	<u>\$ 8,216,133</u>	<u>\$ 8,798,156</u>	<u>\$ 17,014,289</u>	<u>\$ 13,496,592</u>

NET ASSETS

MICHIGAN

2006

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		
LIABILITIES				
Accounts payable	\$ 143,805	\$ 385,756	\$ 529,561	\$ 639,087
Salaries and wages and related liabilities	93,986	221,442	315,428	229,862
Advances from and amounts due State of Michigan				343,972
Interest payable				31,491
Deferred revenues	1,291,218	162,895	1,454,113	407,326
Other liabilities				56,019
Long-term debt:				
General obligation indebtedness	370,000		370,000	
Notes payable to bank		58,532	58,532	74,388
Capital lease payable				1,500,000
Unamortized deferred amount on capital lease restatement				(96,792)
Accumulated absences	<u>193,273</u>	<u>405,214</u>	<u>598,487</u>	<u>551,182</u>
Total Liabilities	<u>\$ 2,092,282</u>	<u>\$ 1,233,839</u>	<u>\$ 3,326,121</u>	<u>\$ 3,736,535</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 1,660,537	\$ 5,386,312	\$ 7,046,849	\$ 8,688,679
Restricted	75,882	31,099	106,981	97,629
Unrestricted	<u>4,387,432</u>	<u>2,146,906</u>	<u>6,534,338</u>	<u>973,749</u>
Net Assets	<u>\$ 6,123,851</u>	<u>\$ 7,564,317</u>	<u>\$ 13,688,168</u>	<u>\$ 9,760,057</u>

The accompanying notes are an integral part of the
financial statements.

STATEMENT
GOGEBIC COUNTY,
Year ended

			Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
Legislative	\$ 53,625			
Judicial	825,391	\$ 335,567	\$ 453,046	
General government	1,050,601	207,592	125,292	
Public safety	1,476,074	182,291	374,908	
Health and welfare	1,238,401	43,354	271,072	
Recreation and parks	78,732	86,835		
Other functions	1,302,948			
Interest on long-term debt	32,360		32,349	
Depreciation (unallocated)	137,836			
Total Governmental Activities	\$ 6,195,968	\$ 855,639	\$ 1,256,667	\$ 0
Business-type activities:				
Medical Care Facility	\$ 7,614,627	\$ 8,292,000		
Forestry and Parks Commission	350,928	544,948		
Fair Board	171,277	122,923	\$ 36,355	
Airport	968,525	523,907	44,587	\$ 12,778
Gogebic County Transit	501,524	58,558	231,934	90,412
Total Business-Type Activities	\$ 9,606,881	\$ 9,542,336	\$ 312,876	\$ 103,190
Total Primary Government	\$ 15,802,849	\$ 10,397,975	\$ 1,569,543	\$ 103,190
Component Units:				
Gogebic County Road Commission	\$ 5,875,687	\$ 879,763	\$ 4,136,581	\$ 1,429,598
Community Mental Health Authority	6,192,054	417,052	76,219	
Western U.P. Manpower Consortium	2,149,237		2,140,379	
Economic Development Corporation	31,327			
Total Component Units	\$ 14,248,305	\$ 1,296,815	\$ 6,353,179	\$ 1,429,598
General revenues:				
Taxes				
Licenses and permits				
Federal grants				
State revenue sharing				
State grants				
Medicaid not restricted				
Interest and rents				
Other revenues				
Internal service activity				
Gain (loss) on disposal of assets				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net assets at January 1, 2006, as previously stated				
Internal Service Fund recorded as part of Governmental Activities				
Net assets at January 1, 2006, as restated				

Net assets at December 31, 2006

The accompanying notes are an integral part of the financial statements.

OF ACTIVITIES

MICHIGAN

December 31, 2006

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (53,625)		\$ (53,625)	
(36,778)		(36,778)	
(717,717)		(717,717)	
(918,875)		(918,875)	
(923,975)		(923,975)	
8,103		8,103	
(1,302,948)		(1,302,948)	
(11)		(11)	
<u>(137,836)</u>		<u>(137,836)</u>	
\$ (4,083,662)	\$ 0	\$ (4,083,662)	\$ 0
	\$ 677,373	\$ 677,373	
	194,020	194,020	
	(11,999)	(11,999)	
	(387,253)	(387,253)	
	<u>(120,620)</u>	<u>(120,620)</u>	
	\$ 351,521	\$ 351,521	
\$ (4,083,662)	\$ 351,521	\$ (3,732,141)	\$ 0
			\$ 570,255
			(5,698,783)
			(8,858)
			<u>(31,327)</u>
\$ 0	\$ 0	\$ 0	\$ (5,168,713)
\$ 3,931,821	\$ 130,106	\$ 4,061,927	
23,990		23,990	
310,766		310,766	
10,259		10,259	
			\$ 943,789
			4,499,295
210,649	24,756	235,405	52,390
55,872	8,965	64,837	51,218
261,849		261,849	
	(63,277)	(63,277)	59,828
<u>81,975</u>	<u>(59,475)</u>	<u>22,500</u>	<u>111,625</u>
\$ 4,887,181	\$ 41,075	\$ 4,928,256	\$ 5,718,145
\$ 803,519	\$ 392,596	\$ 1,196,115	\$ 549,432
\$ 2,633,223	\$ 7,171,721	\$ 9,804,944	\$ 9,210,625
<u>2,687,109</u>		<u>2,687,109</u>	
\$ 5,320,332	\$ 7,171,721	\$ 12,492,053	\$ 9,210,625
\$ 6,123,851	\$ 7,564,317	\$ 13,688,168	\$ 9,760,057

COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

	General	Revenue Sharing Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 582,070	\$ 847,577	\$ 337,082	\$ 1,766,729
Receivables (net, where applicable, of allowances for uncollectibles):				
Taxes	1,156,700			1,156,700
State of Michigan	73,028		51,396	124,424
Notes			53,916	53,916
Other	49,397		22,816	72,213
Due from other funds	<u>62,656</u>			<u>62,656</u>
	<u>\$ 1,923,851</u>	<u>\$ 847,577</u>	<u>\$ 465,210</u>	<u>\$ 3,236,638</u>
LIABILITIES AND COUNTY EQUITY				
Accounts payable	\$ 82,334		\$ 61,471	\$ 143,805
Salaries and wages and related liabilities	93,986			93,986
Deferred revenues	<u>1,219,356</u>		<u>71,862</u>	<u>1,291,218</u>
Total Liabilities	<u>\$ 1,395,676</u>		<u>\$ 133,333</u>	<u>\$ 1,529,009</u>
County equity:				
Fund balance:				
Reserved	\$ 60,745		\$ 15,137	\$ 75,882
Unreserved	<u>467,430</u>	<u>\$ 847,577</u>	<u>316,740</u>	<u>1,631,747</u>
Total County Equity	<u>\$ 528,175</u>	<u>\$ 847,577</u>	<u>\$ 331,877</u>	<u>\$ 1,707,629</u>

The accompanying notes are an integral part of the
financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

Fund balances - total governmental funds

Amounts reported for governmental activities in the statement of net assets are different because: \$ 1,707,629

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.

Governmental capital assets	\$ 4,156,116	
Less accumulated depreciation	<u>(2,495,579)</u>	1,660,537

Other long-term assets (receivables) are not available to pay current-period expenditures and, therefore, are deferred in the funds. 370,000

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Accumulated absences	\$ (193,273)	
General obligation indebtedness	<u>(370,000)</u>	(563,273)

Internal Service Fund net assets are presented in the Statement of Net Assets as a governmental activity, but are not included in the Combined Balance Sheet for Governmental Funds. 2,948,958

Net assets of governmental activities \$ 6,123,851

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

	General	Revenue Sharing Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,922,580	\$ 786,360	\$ 222,881	\$ 3,931,821
Licenses and permits	23,990			23,990
Federal grants	381,493		28,675	410,168
State grants	593,659		327,057	920,716
Contributions from local units	90,281		118,924	209,205
Charges for services	629,869		163,266	793,135
Fines and forfeits	62,504			62,504
Interest and rents	209,938		711	210,649
Other revenues	<u>55,872</u>		<u>102,603</u>	<u>158,475</u>
Total Revenues	\$ 4,970,186	\$ 786,360	\$ 964,117	\$ 6,720,663
Expenditures:				
Current expenditures:				
Legislative	\$ 53,625			\$ 53,625
Judicial	813,000		\$ 12,391	825,391
General government	1,050,601			1,050,601
Public safety	1,294,432		181,642	1,476,074
Health and welfare	373,447		864,954	1,238,401
Recreation and culture			78,732	78,732
Other functions	1,303,448			1,303,448
Capital outlay	35,569		91,494	127,063
Debt service			<u>97,360</u>	<u>97,360</u>
Total Expenditures	\$ 4,924,122	\$ 0	\$ 1,326,573	\$ 6,250,695
Excess (Deficiency) of Revenues Over Expenditures	\$ 46,064	\$ 786,360	\$ (362,456)	\$ 469,968
Other financing sources (uses) - Operating transfers in (out)	<u>120,209</u>	<u>(301,034)</u>	<u>262,800</u>	<u>81,975</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 166,273	\$ 485,326	\$ (99,656)	\$ 551,943
Fund balance at January 1, 2006	<u>361,902</u>	<u>362,251</u>	<u>431,533</u>	<u>1,155,686</u>
FUND BALANCE AT DECEMBER 31, 2006	<u>\$ 528,175</u>	<u>\$ 847,577</u>	<u>\$ 331,877</u>	<u>\$ 1,707,629</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

Net change in fund balance - total governmental funds		\$ 551,943
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	\$ 127,063	
Less current year depreciation	<u>(137,836)</u>	(10,773)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Bond proceeds	\$ (65,000)	
Repayment of bonds	<u>65,000</u>	0
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, those costs represent expenses of the current year.		500
Change in Net Assets of the Internal Service Fund is reported in the Statement of Activities, but is not included in the governmental funds Statement of Revenues, Expenditures and Fund Balance.		<u>261,849</u>
Change in net assets of governmental funds		<u>\$ 803,519</u>

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

	Business-Type Activities					Governmental	
	Enterprise Funds					Activities	
	Medical Care Facility	Airport Operating	Capital Improvement	Forestry and Parks Commission	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS							
Current Assets:							
Cash and cash equivalents	\$ 637,090	\$ 15,045	\$ 70,149	\$ 46,592	\$ 145,441	\$ 914,317	\$ 2,343,765
Temporary investments				408,152	105,607	513,759	
Patient accounts receivable	639,692					639,692	
Less allowances	(10,000)					(10,000)	
Other accounts receivable	3,770	48,701			2,354	54,825	
Property taxes receivable	154,921				714	155,635	605,193
Grants receivable			5,500		15,074	20,574	
Due from other funds					1,140	1,140	
Inventories	49,793	21,202				70,995	
Prepaid expenses	15,334				4,733	20,067	
Total Current Assets	\$ 1,490,600	\$ 84,948	\$ 75,649	\$ 454,744	\$ 275,063	\$ 2,381,004	\$ 2,948,958
Non Current Assets:							
Capital assets	\$ 4,135,396	\$ 8,538,173	\$ 1,147,599	\$ 710,936	\$ 1,924,674	\$ 16,456,778	
Less allowances for depreciation	(2,690,777)	(7,150,831)	(252,192)	(155,707)	(827,530)	(11,077,037)	
Construction in progress	\$ 1,444,619	\$ 1,387,342	\$ 895,407	\$ 555,229	\$ 1,097,144	\$ 5,379,741	
Total Non Current Assets	\$ 1,444,619	\$ 1,387,342	\$ 960,510	\$ 555,229	\$ 1,097,144	\$ 5,444,844	
Other Assets:							
Cash reserved for:							
Funded depreciation	\$ 961,746					\$ 961,746	
Other restricted	10,562					10,562	
	\$ 972,308					\$ 972,308	
Total Assets	\$ 3,907,527	\$ 1,472,290	\$ 1,036,159	\$ 1,009,973	\$ 1,372,207	\$ 8,798,156	\$ 2,948,958

COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (CONTINUED)

	Business-Type Activities						Governmental	
	Enterprise Funds						Activities	
	Medical Care Facility	Operating	Airport	Capital Improvement	Forestry and Parks Commission	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES								
Liabilities:								
Current Liabilities:								
Accounts payable	\$ 339,749	\$ 24,726		\$ 7,166	\$ 14,115	\$ 385,756		
Salaries and wages and related liabilities	203,123	9,846		6,019	2,454	221,442		
Deferred revenue - property taxes	162,895					162,895		
Current portion of note payable to bank			\$ 13,148			13,148		
Total Current Liabilities	\$ 705,767	\$ 34,572	\$ 13,148	\$ 13,185	\$ 16,569	\$ 783,241		
Non-current liabilities:								
Note payable to bank, net of current portion			\$ 45,384			\$ 45,384		
Accrued sick and vacation pay	\$ 336,870	\$ 19,740		\$ 30,955	\$ 17,649	405,214		
Total Long-term Liabilities	\$ 336,870	\$ 19,740	\$ 45,384	\$ 30,955	\$ 17,649	\$ 450,598		
Total Liabilities	\$ 1,042,637	\$ 54,312	\$ 58,532	\$ 44,140	\$ 34,218	\$ 1,233,839		
NET ASSETS								
Net Assets:								
Invested in capital assets, net of related debt	\$ 1,444,619	\$ 1,387,342	\$ 901,978	\$ 555,229	\$ 1,097,144	\$ 5,386,312		
Restricted	2,627			25,000	3,472	31,099		
Unrestricted	1,417,644	30,636	75,649	385,604	237,373	2,146,906		\$ 2,948,958
Total Net Assets	\$ 2,864,890	\$ 1,417,978	\$ 977,627	\$ 965,833	\$ 1,337,989	\$ 7,564,317		\$ 2,948,958

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

	Business-Type Activities							Governmental Activities
	Enterprise Funds							
	Medical Care Facility	Operating	Airport	Capital Improvement	Forestry and Parks Commission	Nonmajor Enterprise Funds	Total Enterprise Funds	
Operating revenues - sales and charges for services, net	\$ 8,151,681	\$ 449,214			\$ 540,138	\$ 181,481	\$ 9,322,514	\$ 314,076
Other operating revenues	140,319	57,193	\$ 17,500		4,810		219,822	
	\$ 8,292,000	\$ 506,407	\$ 17,500	\$ 544,948	\$ 181,481	\$ 9,542,336	\$ 314,076	
Operating expenses:								
Salaries, fees and fringe benefits	\$ 5,682,751	\$ 270,344			\$ 231,518	\$ 326,586	\$ 6,511,199	
Services, materials and other operating expenses	1,715,140	415,805	\$ 55,581		90,534	241,938	2,518,998	\$ 11,780
Depreciation provisions	203,546	169,752	54,686		28,876	104,277	561,137	
Provision for bad debts	13,190						13,190	
Interest			2,357				2,357	
	\$ 7,614,627	\$ 855,901	\$ 112,624	\$ 350,928	\$ 672,801	\$ 9,606,881	\$ 11,780	
Operating Income (Loss)	\$ 677,373	\$ (349,494)	\$ (95,124)	\$ 194,020	\$ (491,320)	\$ (64,545)	\$ 302,296	
Nonoperating revenues:								
Property taxes						\$ 130,106	\$ 130,106	
Federal grants						68,493	68,493	
State grants		\$ 24,341	\$ 20,246			199,796	244,383	
Reimbursement				\$ 8,965		8,965	8,965	
Interest				18,433		6,323	24,756	\$ 99,553
Gain (loss) on asset disposal			(66,134)			2,857	(63,277)	
	\$ 0	\$ 24,341	\$ (45,888)	\$ 27,398	\$ 407,575	\$ 413,426	\$ 99,553	
Income (Loss) Before Operating Transfers	\$ 677,373	\$ (325,153)	\$ (141,012)	\$ 221,418	\$ (83,745)	\$ 348,881	\$ 401,849	
Operating transfers from (to) -								
Other funds		173,025	17,500	(250,000)		(59,475)	(140,000)	
Capital contributions			12,778		90,412	103,190		
Change in Net Assets	\$ 677,373	\$ (152,128)	\$ (110,734)	\$ (28,582)	\$ 6,667	\$ 392,596	\$ 261,849	
Net assets at January 1, 2006	2,187,517	1,570,106	1,088,361	994,415	1,331,322	7,171,721	2,687,109	
NET ASSETS AT DECEMBER 31, 2006	\$ 2,864,890	\$ 1,417,978	\$ 977,627	\$ 965,833	\$ 1,337,989	\$ 7,564,317	\$ 2,948,958	

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

	Business-Type Activities						Governmental Activities
	Enterprise Funds						
	Medical Care Facility	Operating	Airport	Capital Improvement	Forestry and Parks Commission	Nonmajor Enterprise Funds	
Cash flows from operating activities:							
Cash received from customers	\$ 8,262,773	\$ 442,830		\$ 17,500	\$ 544,948	\$ 181,249	\$ 9,431,800
Cash received from local units		57,193	\$				74,693
Property tax collections							\$ 1,370,933
Other revenues							314,076
Cash paid to employees	(5,636,147)	(272,265)			(231,309)	(322,794)	(6,462,515)
Cash paid to local units							(1,403,546)
Cash paid to suppliers	(1,539,310)	(424,580)		(40,835)	(85,196)	(252,774)	(5,187)
Net Cash Provided by (Used in) Operating Activities	\$ 1,087,316	\$ (196,822)	\$	(23,335)	\$ 228,443	\$ (394,319)	\$ 701,283
Cash flows from capital and related financing activities:							\$ 276,276
Proceeds from sale of capital assets							
Acquisition of land, buildings and equipment	\$ (105,761)		\$	(94,599)	\$ (80,842)	\$ 2,857	\$ 2,857
Proceeds from borrowing				57,926	1,609	(91,238)	(372,440)
Property tax collections	7,974						59,535
Principal paid on long-term debt				(13,135)			7,974
Interest paid				(2,357)			(13,135)
Capital grant received				15,480		90,412	(2,357)
							105,892
Net Cash Provided by (Used in) Capital and Related Financing Activities	\$ (97,787)	\$ 0	\$ (36,685)	\$ (79,233)	\$	\$ 2,031	\$ (211,674)
Cash flows from noncapital financing activities:							\$ 0
Operating transfers in (to) other funds	\$	\$ 173,025	\$ 17,500	\$ (250,000)	\$	\$	\$ (140,000)
Proceeds from borrowing							500,000
Repayment of borrowing							(500,000)
State and federal grants		24,341			\$	288,441	312,782
Property tax collections						130,657	130,657
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ 0	\$ 197,366	\$ 17,500	\$ (250,000)	\$	\$ 419,098	\$ 383,964
Cash flows from investing activities:							\$ (140,000)
Purchase of certificates of deposit					\$	(51,546)	\$ (459,698)
Redemption of certificates of deposit					400,000	50,000	450,000
Interest earned					18,433	6,323	24,756
							\$ 99,553
Net Cash Provided by Investing Activities	\$ 0	\$ 0	\$ 0	\$ 10,281	\$	\$ 4,777	\$ 15,058
							\$ 99,553
Net Increase (Decrease) in Cash and Temporary Investments	\$ 989,529	\$ 544	\$ (42,520)	\$ (90,509)	\$	\$ 31,587	\$ 888,631
Cash and temporary investments at January 1, 2006	619,869	14,501	112,669	137,101		113,854	997,994
CASH AND TEMPORARY INVESTMENTS AT DECEMBER 31, 2006	\$ 1,609,398	\$ 15,045	\$ 70,149	\$ 46,592	\$	\$ 145,441	\$ 1,886,625
							\$ 2,343,765

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

	Business-Type Activities					Governmental Activities	
	Enterprise Funds					Internal Service Funds	
	Medical Care Facility	Airport Operating	Capital Improvement	Forestry and Parks Commission	Nonmajor Enterprise Funds	Total Enterprise Funds	
Cash flows from operating activities:							
Operating income (loss)	\$ 677,373	\$ (349,494)	\$ (95,124)	\$ 194,020	\$ (491,320)	\$ (64,545)	\$ 302,296
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	\$ 203,546	\$ 169,752	\$ 54,686	\$ 28,876	\$ 104,277	\$ 561,137	
Interest expense			2,357			2,357	
Provision for bad debts	13,190					13,190	
Repairs and maintenance financed by grant awards administered by State of Michigan			20,246			20,246	
(Increase) decrease in current assets:							
Accounts and grants receivable	(29,227)	(6,384)	(5,500)		(232)	(41,343)	\$ (26,020)
Inventories	(4,145)	(6,973)			(912)	(11,118)	
Prepaid expenses	14,899				(594)	13,987	
Due from other funds						(594)	
Increase (decrease) in current liabilities:							
Accounts payable and due to other funds	150,412	(1,802)		5,338	(9,330)	144,618	
Accrued liabilities	61,268	(1,921)		209	3,792	63,348	
Total adjustments	\$ 409,943	\$ 152,672	\$ 71,789	\$ 34,423	\$ 97,001	\$ 765,828	\$ (26,020)

Net Cash Provided by
(Used in) Operating Activities

	\$ 1,087,316	\$ (196,822)	\$ (23,335)	\$ 228,443	\$ (394,319)	\$ 701,283	\$ 276,276
--	--------------	--------------	-------------	------------	--------------	------------	------------

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for interest

	\$	2,357	\$		\$	2,357
--	----	-------	----	--	----	-------

Noncash capital and related financing activities:

Equipment purchase reimbursed by
Component Unit

	\$	8,965	\$		\$	8,965
--	----	-------	----	--	----	-------

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

	Pension Trust Fund	Agency Funds
ASSETS		
Temporary investments	\$ 482,911	\$ 1,149,774
Investments	36,777,630	
Accrued interest receivable	95,097	
Accounts receivable	<u>8,741</u>	
Total Assets	<u>\$ 37,364,379</u>	<u>\$ 1,149,774</u>
LIABILITIES		
Due State of Michigan		\$ 6,203
Due other funds		63,796
Undistributed receipts		546,951
Undistributed tax collections		<u>532,824</u>
Total Liabilities		<u>\$ 1,149,774</u>
NET ASSETS		
Net assets held in trust for pension benefits	<u>\$ 37,364,379</u>	

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUND

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

Additions:

Contributions:

Contributions from other funds	\$	1,124,550
Employee contributions		278,775
Employee buyback contributions		<u>553,798</u>

Total Contributions \$ 1,957,123

Investment income:

Net change in fair value of investments	\$	1,344,046
Interest, dividends and other investment gains		<u>2,314,743</u>
	\$	3,658,789
Less investment expense		<u>67,081</u>
		<u>3,591,708</u>

Total Additions \$ 5,548,831

Deductions:

Retirement benefits	\$	1,506,024
Refunds		139,469
Administrative expense		<u>100,583</u>
		<u>1,746,076</u>

Net Increase \$ 3,802,755

Net assets held in trust for pension benefits at
January 1, 2006

33,561,624

NET ASSETS HELD IN TRUST FOR
PENSION BENEFITS AT DECEMBER 31, 2006 \$ 37,364,379

The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF NET ASSETS - COMPONENT UNITS

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

	County Road Commission	Community Mental Health Authority	Western U.P. Manpower Consortium	Economic Development Corporation	Component Unit Total
ASSETS					
Cash	\$ 186	\$ 257,297	\$ 37,024	\$ 35,576	\$ 330,083
Investments	682,447				682,447
Receivables:					
Accounts	7,058	114,173			121,231
State of Michigan	819,486	59,699	151,559		1,030,744
Notes				118,811	118,811
Allowances for uncollectible accounts		(2,500)		(50,000)	(52,500)
Inventory	522,703				522,703
Prepaid expenditures	<u>24,084</u>	<u>286,194</u>	<u>9,632</u>		<u>319,910</u>
Total Current Assets	\$ 2,055,964	\$ 714,863	\$ 198,215	\$ 104,387	\$ 3,073,429
Non Current Assets:					
Land, buildings, equipment and infrastructure	\$ 13,598,281	\$ 3,438,205	\$ 138,585		\$ 17,175,071
Less: Accumulated depreciation	(5,603,117)	(1,305,321)	(100,358)		(7,008,796)
Reserved cash		<u>256,888</u>			<u>256,888</u>
Total Non Current Assets	\$ 7,995,164	\$ 2,389,772	\$ 38,227		\$ 10,423,163
Total Assets	<u>\$ 10,051,128</u>	<u>\$ 3,104,635</u>	<u>\$ 236,442</u>	<u>\$ 104,387</u>	<u>\$ 13,496,592</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 87,654	\$ 426,717	\$ 124,716		\$ 639,087
Salaries, wages and related liabilities	98,259	80,897	50,706		229,862
Due State of Michigan	4,338	164,846	1,700		170,884
Advances:					
State of Michigan	173,088				173,088
Other	56,019				56,019
Interest payable		31,491			31,491
Deferred revenue	386,233		21,093		407,326
Current portion of long-term liabilities	<u>30,921</u>	<u>172,441</u>			<u>203,362</u>
Total Current Liabilities	\$ 836,512	\$ 876,392	\$ 198,215	\$ 0	\$ 1,911,119
Non Current Liabilities:					
Compensated absences	\$ 310,982	\$ 221,554	\$ 18,646		\$ 551,182
Capital lease/revenue bonds payable		1,500,000			1,500,000
Unamortized deferred amount on capital lease restatement		(96,792)			(96,792)
Note payable to bank		74,388			74,388
Less current portion	<u>(30,921)</u>	<u>(172,441)</u>			<u>(203,362)</u>
Total Non Current Liabilities	\$ 280,061	\$ 1,526,709	\$ 18,646	\$ 0	\$ 1,825,416
Total Liabilities	<u>\$ 1,116,573</u>	<u>\$ 2,403,101</u>	<u>\$ 216,861</u>	<u>\$ 0</u>	<u>\$ 3,736,535</u>

COMBINED STATEMENT OF NET ASSETS - COMPONENT UNITS (CONTINUED)

	County Road Commission	Community Mental Health Authority	Western U.P. Manpower Consortium	Economic Development Corporation	Component Unit Total
NET ASSETS					
Net Assets:					
Invested in capital assets, net of related debt	\$ 7,995,164	\$ 655,288	\$ 38,227		\$ 8,688,679
Restricted for employee benefits		35,334			35,334
Restricted for long-term portion of notes receivable				\$ 62,295	62,295
Unrestricted (deficit)	<u>939,391</u>	<u>10,912</u>	<u>(18,646)</u>	<u>42,092</u>	<u>973,749</u>
Total Net Assets	<u>\$ 8,934,555</u>	<u>\$ 701,534</u>	<u>\$ 19,581</u>	<u>\$ 104,387</u>	<u>\$ 9,760,057</u>

NOTES:

The date for the balance sheet of Community Mental Health Authority is September 30, 2006.

The date for the balance sheet of Western U.P. Manpower Consortium is June 30, 2006.

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF ACTIVITIES - COMPONENT UNITS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

	County Road Commission	Community Mental Health Authority	Western U.P. Manpower Consortium	Economic Development Corporation	Totals
Expenses:					
Public works	\$ 5,875,687				\$ 5,875,687
Health and welfare		\$ 6,125,402	\$ 2,149,237	\$ 31,327	8,305,966
Interest on long-term debt		66,652			66,652
Total Expenses	\$ 5,875,687	\$ 6,192,054	\$ 2,149,237	\$ 31,327	\$ 14,248,305
Program revenues:					
Charges for services	\$ 879,763	\$ 417,052			\$ 1,296,815
Operating grants and contributions	4,136,581	76,219	\$ 2,140,379		6,353,179
Capital grants and contributions	1,429,598				1,429,598
Total Program Revenues	\$ 6,445,942	\$ 493,271	\$ 2,140,379	\$ 0	\$ 9,079,592
Net (Expense) Revenue	\$ 570,255	\$ (5,698,783)	\$ (8,858)	\$ (31,327)	\$ (5,168,713)
General revenues:					
State grants		\$ 943,789			\$ 943,789
Medicaid not restricted		4,499,295			4,499,295
Transfer from Gogebic County		111,625			111,625
Interest and rents	\$ 26,820	19,973		\$ 5,597	52,390
Other revenues		51,218			51,218
Total General Revenues	\$ 26,820	\$ 5,625,900	\$ 0	\$ 5,597	\$ 5,658,317
Gain (loss) on disposal of assets	61,234	(1,406)			59,828
Change in Net Assets	\$ 658,309	\$ (74,289)	\$ (8,858)	\$ (25,730)	\$ 549,432
Net assets at beginning of year	8,276,246	775,823	28,439	130,117	9,210,625
NET ASSETS AT END OF YEAR	\$ 8,934,555	\$ 701,534	\$ 19,581	\$ 104,387	\$ 9,760,057

NOTES:

The fiscal year of Community Mental Health Authority is October 1, 2005 to September 30, 2006.

The fiscal year of Western U.P. Manpower Consortium is July 1, 2005 to June 30, 2006.

The accompanying notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gogebic County operates under an elected Board of Commissioners. The financial statements of the County have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the County's accounting policies are described below.

Financial Reporting Entity

The financial statements of the reporting entity include those of Gogebic County (the primary government) and its component units as required by generally accepted accounting principles.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The component units discussed below are included in the County's reporting entity as discretely presented component units because of the significance of their operational or financial relationships with the County. These component units are reported in a separate column to emphasize that they are legally separate from the County. A combining statement of net assets and statement of activities for these discretely presented component units are included as a part of the basic financial statements.

Gogebic County Road Commission - The members of the governing Board of Road Commissioners are appointed by the County Board. The Road Commission is fiscally dependent on the County because the County must approve taxes levied and approve bonded debt. Separate financial statements for the Road Commission may be obtained at its administrative office at North Moore Street, Bessemer, Michigan 49911.

Community Mental Health Authority - Community Mental Health Authority originally began as Gogebic County Community Mental Health Board (the Board) and was organized by Gogebic County to provide mental health services to Gogebic County residents under State of Michigan Public Act 258 of 1974, as amended by Public Act 290 of 1995. On April 24, 2002, under the authority of the same Public Acts the Gogebic County Board of Commissioners duly adopted various resolutions changing the Board's status to that of an Authority and the name to Community Mental Health Authority (the Authority). The resolutions were filed with the State of Michigan and became effective on April 29, 2002.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

The Authority continued to operate under the contract the Board originally set up with the Michigan Department of Community Health and the same administrative board consisting of twelve members appointed by the Gogebic County Board of Commissioners. The financial statements and related notes reflect the operations of the Authority for the fiscal year ended September 30, 2006.

The Authority is considered a component unit of Gogebic County, Michigan due to the Gogebic County Board of Commissioners continuing to appoint the Authority's Administrative Board, the Authority continuing to be a part of Gogebic County, Michigan's retirement plan and in the event of dissolution, some of the Authority's assets will be transferred to Gogebic County, Michigan. Separate financial statements for the Authority may be obtained at its administrative office at 103 West US 2, Wakefield, Michigan 49968.

Western Upper Peninsula Manpower Consortium - Western Upper Peninsula Manpower Consortium (the Consortium) was originally created under Michigan Public Act 8 of 1967 to administer the Federal Comprehensive Employee Training Act of 1973, had also administered the Jobs Training Partnership Act of 1982 and now administers the Workforce Investment Act of 1998. The Consortium operates under an appointed Administrative Board with two members from each of the six counties comprising the Consortium. The Consortium covers a service delivery area of the Michigan counties of Baraga, Gogebic, Houghton, Iron, Keweenaw and Ontonagon with the main office in the City of Ironwood, Michigan, and field offices in the cities of Houghton and Crystal Falls, Michigan.

The members of the governing board of the Consortium are appointed by member counties. The Gogebic County Treasurer is the depository for all monetary transactions involving the Consortium. Employees of the Consortium are considered to be Gogebic County employees and are members of the Gogebic County Employees' Retirement System. Gogebic County provides no financial assistance to the Consortium. Separate financial statements for the Consortium may be obtained at its administrative office at 100 West Cloverland Drive, Ironwood, Michigan 49938. The financial statements of the Consortium are presented on its fiscal year of July 1, 2005 to June 30, 2006.

Economic Development Corporation - The majority of the members of the governing board are appointed by the County Board of Commissioners. The Economic Development Corporation (EDC) is a legally separate nonprofit corporation established pursuant to the provisions of Michigan Public Act 338 of 1974, as amended. The County Board has the ability to modify or approve the budget of the EDC. The EDC may not issue debt without County Board approval. Separate financial statements for the EDC are not prepared and are not available.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

The component units discussed below are included in the County's reporting entity as blended component units because the County believes its financial statements would be misleading if the data were not included.

Economic Development Commission - The Economic Development Commission was established pursuant to Michigan Public Act 46 of 1966 and is governed by a board appointed by the County Board. The Economic Development Commission is reported as a special revenue fund of the County because its sole purpose is to finance economic development projects within the County.

Gogebic County Transit - Gogebic County Transit is a separate legal entity and is administered by an elected board. The Transit Board may not issue debt. The Transit taxes are levied under the taxing authority of the Gogebic County Board, as approved by the Gogebic County electors, and are included as a part of the County's total tax levy and are reported in the Gogebic County Transit Fund. The financial statements of the Transit are presented using their fiscal year ended September 30, 2006.

The financial statements of certain other governmental organizations, as set forth below, are not included in the financial statements of the County in accordance with generally accepted accounting principles.

Gogebic County is a member of the Western Upper Peninsula District Health Department, and all of the financial transactions thereof are recorded in the records of another county and are therefore not included in the financial statements of Gogebic County. The Health Department provides limited health services to the residents of Houghton, Ontonagon, Gogebic, Baraga and Keweenaw counties. Each of the counties is required to contribute financial resources on an annual basis sufficient to eliminate any operating deficits and to provide for retirement of long-term debt. Gogebic County is responsible for approximately 21% of such annual contributions. Gogebic County's 2006 appropriation to the Health Department was \$101,084. Separate financial statements of the Western Upper Peninsula District Health Department may be obtained at the administrative office at 540 Depot Street, Houghton, Michigan 49931.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

Summary financial information of the Health Department as of and for the year ended September 30, 2006, follows:

Total assets	<u>\$ 2,380,366</u>
Total liabilities, including general long-term debt of \$421,224	<u>\$ 945,400</u>
Net assets	<u>\$ 1,434,966</u>
Total revenues	\$ 6,017,141
Total expenditures	(6,474,436)
Contributions from local units and operating transfer from primary government	<u>399,543</u>
Excess of expenditures	\$ (57,752)
Fund balance at October 1, 2005	<u>1,492,717</u>
Fund balance at September 30, 2006	<u>\$ 1,434,965</u>

The financial statements of the Community Development Block Grant Fund are included in the financial statements of the County as a special revenue fund. The County passes federal block grant monies to Gogebic-Ontonagon Community Action Agency (the Agency), a subrecipient of the grant monies and a separate governmental entity. The Agency administers various governmental programs for the low income and elderly population in a two-county region in the western Upper Peninsula of Michigan. The Agency's activities are funded primarily by federal and state grants awarded to it by the Michigan Family Independence Agency, Upper Peninsula Commission for Area Progress (UPCAP), U.S. Department of Agriculture, and U.S. Department of Health and Human Services. The financial statements of Gogebic-Ontonagon Community Action Agency are not included in the financial statements of the County.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

Summary financial information of the Agency as of and for its fiscal year ended September 30, 2006, follows:

Total assets	<u>\$ 718,179</u>
Total liabilities	<u>\$ 494,099</u>
Total net assets	<u>\$ 224,080</u>
Total support and revenues	\$ 3,258,546
Total expenses	<u>(3,298,788)</u>
Change in net assets	\$ (40,242)
Net assets at October 1, 2005	<u>264,322</u>
Net assets at September 30, 2006	<u>\$ 224,080</u>

Separate financial statements of the Agency may be obtained at the administrative office at 320 East Aurora Street, Ironwood, Michigan 49938.

Under terms of a reorganization agreement among the County of Gogebic, Grand View Hospital, Gogebic County Hospital Finance Authority and North Community Healthcare, Inc. (now Grand View Health System, Inc.), effective January 1, 1990, all assets of Grand View Hospital (except building, improvements and fixtures), liabilities and contract rights of the Hospital were transferred to North Community Healthcare, Inc. (the Corporation).

The financial statements of Grand View Health System, Inc. and Gogebic County Hospital Finance Authority are not included in the financial statements of Gogebic County. There were no financial transactions between Gogebic County and Grand View Health System, Inc. for the year ended December 31, 2006.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the County except for the fiduciary activities. All of the County's activities are considered to be governmental activities, business-type activities or component units. Interfund activity including operating transfers between activities and amounts due to and from activities has been eliminated in the government-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental business-type activities, component units as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The County reports the following major funds:

General Fund – the general operating fund of the County. This fund is used to account for all financial resources except those required to be accounted for in another fund.

Revenue Sharing Reserve Fund – used to account for the financial transactions of a property tax levied to temporarily replace State of Michigan shared revenue funding to the County.

Medical Care Facility – used to account for the financial transactions of the Gogebic Medical Care Facility.

Airport Operating Fund – used to account for the financial transactions of the Gogebic-Iron County Airport

Forestry and Parks Commission – used to account for the financial transactions of the Gogebic County Forest and Parks.

All other funds are considered to be nonmajor. They include:

Special Revenue Funds – are used by the County to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund – Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund-based Financial Statements (Continued)

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or for activities where periodic measurement of net income is appropriate for capital maintenance, public policies, management control or other purposes.

Internal Service Funds - Internal Service Funds are used to account for monies advanced by the County to pay the County and other local taxing units for their delinquent real property taxes.

Fiduciary Funds

Fiduciary Funds are used to account for assets held in a trustee capacity or as an agent for others.

Basis of Accounting

Government-wide Financial Statements

The Government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the County's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the County provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, state and federal grant revenues that are not program revenues are reported as general revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Revenues are available when they are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The County considers revenues to be available if they are expected to be collected within 60 days of the end of the year. Generally, tax revenues, fees and nontax revenues are recognized when received. Property tax revenues are recognized as revenue on January 1 of the year after being levied, when monies are available for use to finance County operations, with proper allowances made for estimated uncollectible accounts and delinquent accounts. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due.

Proprietary and Fiduciary Financial Statements

Proprietary fund types and Pension Trust Fund use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises; revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the County applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Granting of Credit

The General Fund grants credit to the State of Michigan and various local units of government in the western Upper Peninsula of Michigan.

Community Mental Health Authority (a component unit) and Medical Care Facility record patient service revenue at established rates. Each has an agreement with third-party payors, which provide for reimbursement of patient service revenue at amounts different from established rates. The primary third-party payors are Medicare and Medicaid. Accounts receivable from patients include amounts due from Medicare and Medicaid.

Airport Operating Fund grants credit to various customers for storage facility space and fuel. Gogebic County Transit grants credit to several local community governmental agencies. Gogebic County Forestry Commission grants credit to several timber purchasers.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Granting of Credit (Continued)

County Road Commission (a component unit) grants credit to various customers for various types of services performed. Included among its customers are several local units of government.

Community Development Block Grant Fund and Economic Development Corporation (a component unit) grant credit in the form of notes receivable to individuals and local corporations.

Budgets

Formal budgetary accounting is employed as a management control for all funds of the County; however, legal budgets are adopted only for the General, Debt Service and Special Revenue Funds. For each fund for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles.

The County follows these procedures in establishing budgetary data shown in the financial statements:

1. Prior to January 1, the County Administrator submits to the County Board of Commissioners a proposed operating budget for the year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are held to obtain taxpayers' comments.
3. Prior to January 1, the budget is legally enacted by the County Board of Commissioners by passage of the General Appropriations Act. The budget expires on December 31 of the budget year.
4. Any revisions to the budgeted amounts must be approved by the County Board of Commissioners.
5. Budgets for governmental fund types are adopted on a basis consistent with generally accepted accounting principles at the activity level for the General Fund and at the functional level for Debt Service and Special Revenue Funds.
6. Budgeted amounts are as originally adopted plus amendments made on or before December 31 by the County Board of Commissioners.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (Continued)

7. The budget for the County Road Commission (a component unit) is adopted and administered by the Board of County Road Commissioners. The budget basis of accounting does not differ significantly from the modified accrual basis used to report actual revenues and expenditures. The budget for Community Mental Health Authority (a component unit) is adopted and administered by the Gogebic County Mental Health Board and is budgeted on a program basis.

Cash

Cash applicable to a particular fund is readily identifiable. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the County's investments.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Interest Receivable

Interest on investments and certain receivables is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Inventories

Inventories of the Medical Care Facility (an Enterprise Fund) are stated at the lower of cost or market; cost is determined by the first-in, first-out method. Inventories of the County Road Commission (a component unit) are stated at cost as determined by the moving-average method.

Payments for immaterial supplies for other funds are recorded as expenditures or expenses at the time of purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets, including land and improvements, buildings, furniture and fixtures, equipment, vehicles and infrastructure assets (roads, bridges, sidewalks and similar items) are reported in the Government-wide financial statements. Capital assets are defined by the County and its component units as assets with an acquisition cost of generally more than \$1,000 or betterments totaling \$20,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for the function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method over the following useful lives (land excluded as not depreciable):

Land improvements	20 years
Buildings	25-50 years
Furniture, fixtures and other equipment	5-20 years
Vehicles	5-10 years
Roads	5-30 years
Other infrastructure	12-50 years

Compensated Absences

The liability for accumulated vacation and sick pay amounts is recorded in the Government-wide Statement of Net Assets.

Long-Term Obligations

The County reports long-term debt and other long-term obligations in the Government-wide Statement of Net Assets. Amounts are recorded at face value along with any accrued interest to December 31, 2006.

Investment in Capital Assets, Net of Related Debt

This is a portion of net assets of the County that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Fund Balance

In the fund-based financial statements, the unreserved fund balances represent the amount available for budgeting future operations. The reserved fund balances represent the tentative and required plans for future use of financial resources.

Pensions

The provision for pension cost is recorded on an accrual basis, and the County's policy is to fund pension costs as they accrue.

Property Tax Revenues, Taxes Receivable and Deferred Revenue

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The County records property taxes as a receivable and deferred revenue on December 1; the property taxes are then recognized as revenue on January 1 of the following year, when monies are available for use to finance County operations. The County purchases delinquent real property taxes of the County and all local units annually.

Starting December 1, 2004, the State required the County to start a new fund called Revenue Sharing Reserve Fund. All taxes collected in December 2004 for the December 1, 2004 tax levy were deposited into this fund. In 2005, additional tax collections were deposited into this fund until the total deposits equal one-third of the general tax levy for December 1, 2004. Tax collections from the December 1, 2005 tax levy, due to this fund, are to equal one-third of the general tax levy for December 1, 2004. The County deposited this amount in 2006 into this fund. The third and final year for these deposits will be from the December 1, 2006 tax levy. These deposits will also be equal to one-third of the general tax levy for December 1, 2004. The County deposited this amount in 2007 into this fund. Withdrawals from this new fund are limited to an amount determined by the State. This amount is based upon what the State shared revenue would have been, had this funding not been discontinued.

Vacation, Sick Leave and Other Compensated Absences

County employees are entitled to certain compensated absences based on their length of employment. Compensated absences either vest or accumulate and are accrued when they are earned.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980 Disclosure

There were no accumulated fund-balance/retained-earnings deficits in any individual funds as of December 31, 2006.

Public Act 621 of 1978 Disclosure

Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2006, Gogebic County had excesses of expenditures over appropriations in the following functional areas:

	<u>Budget</u>	<u>Actual</u>	(Unfavorable) <u>Variance</u>
Special Revenue Funds -			
Capital outlay	<u>\$ 49,000</u>	<u>\$ 91,494</u>	<u>\$ (42,494)</u>

NOTE C - PROPERTY TAX INFORMATION

A summary of current property taxes levied on December 1, 2006, follows:

	<u>Mills</u>	<u>Levy</u>	<u>Taxable Valuation</u>
General operating	6.5239	\$ 2,646,700	
Gogebic County Transit	0.3255	132,053	
Animal control	0.2000	81,139	
Medical Care Facility - Maintenance of Effort	0.4648	188,566	
Medical Care Facility - Operations	0.4000	162,422	
Senior Programs	<u>0.5859</u>	<u>237,695</u>	
TOTALS	<u>8.5001</u>	<u>\$ 3,448,575</u>	<u>\$ 405,692,890</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RISK MANAGEMENT

General County Operations

Gogebic County is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The County has purchased commercial insurance for medical benefits claims and participates as a member in the Michigan Municipal Risk Management Authority (the Pool) for claims relating to general liability, excess liability, auto liability, truckline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation.

The Pool operates as a public entity risk-sharing pool providing property and liability coverage to participating members for local units in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. The County is sharing risk with the other members of the Pool and has a self-insurance retention, excess of deductibles, of up to \$75,000. The deductible is \$1,000 per occurrence for auto, property and crime losses. The Pool provides, after the self-insurance retention, reinsurance up to \$10,000,000 of occurrence-based casualty coverage and property coverage for each incident by internally assuming risks and reinsuring risks through commercial companies.

Community Mental Health Authority

The Community Mental Health Authority (Authority) is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority manages its risk by purchasing insurance coverage through Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool providing property and liability coverage to its participating members. MMRMA is created by authority granted by the laws of the State of Michigan to provide risk financing and risk management services to eligible Michigan local governments. MMRMA is a separate legal and administrative entity as permitted by Michigan laws. The Authority is eligible to be a member of MMRMA.

Coverage limits vary depending upon the type of claim. Coverage limits can be found in the Coverage Overview Document and are generally up to \$10,000,000 of occurrence-based casualty coverage for each incident and up to \$4,257,124 of occurrence-based property coverage.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RISK MANAGEMENT (CONTINUED)

Road Commission

The Road Commission is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Road Commission manages its risk by being a member of the Michigan County Road Commission Self-Insurance Pool (the Pool), a public entity risk pool providing general liability, auto, property and crime insurance coverage to its participating members and also by being a member of the County Road Association Self-Insurance Fund (the Fund), a public entity risk pool providing workers' compensation coverage to its participating members. The Road Commission is sharing risks with other members of the pools and pays an annual premium to each pool for the following coverage:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General liability	\$10,500,000	\$1,000
Physical damage:		
Building Ordinance Coverage	1,000,000	500
Property in Transit	50,000	500
At Unnamed Locations	10,000	500
Crime	25,000	1,000
Workers' compensation	Statutory limits	0
Employment Practices and Public		
Officials Errors and Omissions	10,000,000	0

The pools provide this coverage to members by internally assuming risks and reinsuring risks through commercial companies. The Pool has reinsurance up to \$10,500,000 and the Fund has reinsurance up to \$10,000,000.

Share of Losses

The County's liabilities for its share of losses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities can include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. The County Board, Community Mental Health Authority and Road Commission estimate that the potential unpaid and unreported claims do not substantially exceed the amount of self-insurance retention reserves available to pay claims.

The County Board, Community Mental Health Authority and Road Commission carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - GOGEBIC COUNTY HOSPITAL FINANCE AUTHORITY

As explained in Note A to the financial statements, the operation of Grand View Hospital was transferred by Gogebic County to North Community Healthcare, Inc., a nonprofit corporation (the Corporation), effective January 1, 1990. North Community Healthcare, Inc. has since changed its name to Grand View Health System, Inc.

During the year ended December 31, 1991, Gogebic County Hospital Finance Authority issued hospital revenue bonds to finance construction of additional hospital facilities. The Hospital Finance Authority remitted the proceeds from the hospital revenue bonds to the Corporation. During the year ended December 31, 1999, these bonds were refinanced and replaced with Series 1999 revenue bonds.

Following is a summary relating to outstanding hospital revenue bonds at December 31, 2006, as presented in the financial statements of Grand View Health System, Inc.:

Hospital revenue bonds, Series 1999 – 5% to 5.875% revenue bonds; interest is payable in semiannual installments, principal is due in increasing annual installments ranging from \$240,000 in 2007 to \$410,000 in 2016; collateralized by the gross receipts of the Hospital, a mortgage on substantially all real property and fixtures thereon and certain monies held in a bond reserve account. The bonds are subject to specific sinking fund installments and to special redemption provisions.

\$3,235,000

Under provisions provided for in the several agreements, the debt is not presented as an obligation of Gogebic County in its statement of net assets. The debt constitutes limited obligations of Gogebic County Hospital Finance Authority, payable solely by the Corporation to Gogebic County Hospital Finance Authority as required by the agreements. The Hospital revenue bonds are subject to a mortgage lien and are further collateralized by a pledge of Hospital gross receipts. The Hospital revenue bonds do not represent a general obligation of Gogebic County or of the Hospital Finance Authority; they are presented as a liability in the financial statements of the Corporation.

NOTE F - CASH AND INVESTMENT INFORMATION

Cash

The County Treasurer is the depository agent for cash balances of the various funds. These cash balances are combined for investment purposes, and a detailed accounting of cash balances allocable to the various funds is maintained by the County Treasurer.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION

Cash (Continued)

Deposits were made in accordance with State of Michigan statutes and under authorization of the County Board of Commissioners. The carrying amount of deposits and cash on hand is separately displayed on the balance sheet as "Cash". For purposes of the Statement of Cash Flows - Proprietary Fund Types, cash includes cash and investments in money market and municipal investment funds. Following is a summary of the carrying amount of cash (which is substantially equal to the bank balances) at December 31, 2006:

	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total</u>
Cash on Hand and Deposits:			
Cash on hand	\$ 1,200		\$ 1,200
Deposits in banks insured by federal depository insurance:			
Insured (FDIC)	1,009,378	\$ 100,000	1,109,378
Uncollateralized and uninsured	<u>4,986,541</u>	<u>486,971</u>	<u>5,473,512</u>
	<u>\$ 5,997,119</u>	<u>\$ 586,971</u>	<u>\$ 6,584,090</u>

Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the County's investing activities are managed under the custody of the County Treasurer. Investing is performed in accordance with investment policies adopted by the County Board complying with State Statutes and the County Charter.

Michigan Compiled Laws, Section 129.91, authorizes the County to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION (CONTINUED)

Investments (Continued)

Under the County policy, the County may not invest in reverse repurchase agreements, derivative instruments created from, whose value depends on, or is derived from, the value of one or more underlying assets or indices of asset values and/or has no call options prior to the County's desired maturity or is a variable rate instrument.

Interest Rate Risk is the risk that changes in interest rate will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The County policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not made in securities maturing more than five years from the date of purchase. Concentration of Credit Risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. Cumulatively, portfolios of the County may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total County portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities are excluded from these restrictions.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities in the possession of an outside party. County policy provides that investment collateral is held by a third party custodian with whom the County has a current custodial agreement in the County's name.

Investment policies provide for investment managers who have full discretion of assets allocated to them subject to the overall investment guidelines set out in the policies. Manager performance is reviewed by a consultant who provides reports to the respective governing boards. Any changes in the investment management firm must be reported as they occur.

The County's retirement system's investments are held in book-entry form by the investment fiduciary, Wells Fargo Bank of Marquette, Michigan. Michigan Compiled Laws, Section 38.1132, authorizes the County retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, annuity contracts obligations of a specified nature and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

The County's deposits and investments are in accordance with statutory authority.

Investments of the governmental and proprietary fund types include only dollar denominated money market and municipal investment funds and bank certificates of deposit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION (CONTINUED)

Investments (Continued)

Investments of the Pension Trust Fund are stated for financial-statement purposes as follows:

U.S. Treasury and Agency securities, domestic stocks, domestic and international bonds, and equity mutual funds are reported at fair market value. Interest is credited to investment income as received by or accrued and reported to the County by the investment trustee. Money market funds are reported at carrying value, which equals fair market value.

The County's investments are summarized below by investment type and Fund. All Pension Trust Fund investments are insured or registered or for which the securities are held by the County or its agent in the County's name.

The County does not have available to it the average credit quality rating and weighted average to maturity for disclosure.

	<u>Fair Market Value</u>
<u>PRIMARY GOVERNMENT</u>	
<u>Investment Type</u>	
Pension Trust Fund:	
U.S. Treasury and agency obligations	\$ 3,925,233
Domestic stocks	24,379,440
Domestic corporate bonds	3,038,016
Mortgage/asset-backed securities	5,434,941
Money market funds	<u>482,911</u>
Total Pension Investments	\$ 37,260,541
All Other Primary Government Fund Types -	
Certificates of deposit and money market and municipal investment funds	<u>513,759</u>
Total Primary Government Investments	\$ 37,774,300
Agency Funds -	
Money market and municipal investment funds	1,149,774
<u>COMPONENT UNITS</u>	
Money market and municipal investment funds	<u>682,447</u>
	<u>\$ 39,606,521</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION (CONTINUED)

Investments (Continued)

The Employees' Retirement System Fund had net assets of \$37,364,379 held in trust for pension benefits at December 31, 2006. Other than U.S. Government obligations, investments which represented more than five percent of the net assets available for benefits were collateralized mortgage obligation trusts totaling \$5,434,941 at December 31, 2006.

There were no investments in, loans to, or leases with parties related to the pension plan.

NOTE G - RECEIVABLES INFORMATION

Accounts Receivable

Balance of accounts receivable at December 31, 2006, follows:

Primary government:		
Medical Care Facility (net of \$10,000 allowance)		\$ 629,692
Component units:		
Road Commission	\$ 7,058	
Community Mental Health Authority (net of \$2,500 allowance)	114,173	121,231
		<u>\$ 750,923</u>

Taxes Receivable - Delinquent

General Fund - Taxes Receivable includes the current 2006 levy of \$1,089,282 (net of taxes collected during the month of December 2006) and delinquent personal property taxes of \$67,418.

Enterprise Fund and Internal Service Fund - Taxes Receivable consist of delinquent personal property taxes for Gogebic County Transit of \$714, Medical Care Facility of \$154,921 and \$605,193 of unpaid delinquent real property taxes which were purchased from all of the taxing units in Gogebic County by the County's Delinquent Tax Revolving Fund.

Allowances for Uncollectibles

Allowances for uncollectibles total \$10,000 in Enterprise Funds and \$2,500 in Component Units. Component units also include an allowance for uncollectible portion of notes receivable of \$50,000. Allowances in other funds are not considered to be material in amount.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - RECEIVABLES INFORMATION (CONTINUED)

Notes Receivable

Following is a summary of monies the County has loaned to local corporations and to individuals to be used for additions and improvements to industrial facilities and housing:

	Balance at <u>December 31, 2006</u>
Primary Government:	
Various interest rate loans to individuals, due in varying monthly installments, including interest, payable in full at varying dates, the latest being July 1, 2009.	\$ 53,916
Component Unit:	
7.5% loan to local corporation, due in monthly installments of \$594, including interest, payable in full on April 1, 2014.	\$ 39,737
6.5% loan to local corporation, due in monthly installments of \$350, including interest, payable in full on June 1, 2009.	29,074
5.0% loan to local corporation, due in monthly installments of \$1,888, including interest, was payable in full on July 25, 2005. No principal payments were received since loan origination in year 2000.	<u>50,000</u>
	\$118,811
Less allowances for uncollectible portion	(<u>50,000</u>)
Total Component Unit	<u>\$ 68,811</u>
TOTAL	<u>\$122,727</u>

The County is accounting for the notes receivable in its Community Development Block Grant Fund and in its Economic Development Corporation. Principal and interest collected on the block grant loans to individuals are restricted for future block grant housing improvements. Principal and interest collected on the economic development loans to local corporations are restricted for economic development purposes. The Economic Development Corporation has adopted an economic development plan which allows for spending of the monies.

The Economic Development Corporation entered a default judgment against the local corporation in Michigan and Wisconsin in the amount of \$50,000, plus interest, other costs and attorney fees and interest continues to accrue.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Certain employees of Gogebic County are covered by collective bargaining agreements. General courthouse employees other than elected and appointed officials, employees of the Road Commission, Gogebic County Airport, police officers and employees of the Medical Care Facility each have their own collective bargaining agreements. Some of these agreements are scheduled for expiration within the next year or have already expired.

The Gogebic County Airport services the Gogebic County, Michigan and Iron County, Wisconsin, market areas. One airline company provides essential airline service to the airport.

Gogebic County Medical Care Facility provides nursing service to patients, most of whom are covered by Medicare and Medicaid.

NOTE I - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables resulting from various interfund transactions were as follows at December 31, 2006:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General Fund	\$ 62,656	Trust and Agency	\$ 62,656
Fair Board	<u>1,140</u>	Trust and Agency	<u>1,140</u>
	<u>\$ 63,796</u>		<u>\$ 63,796</u>

NOTE J - INTERFUND TRANSFERS

Transfers of cash between the various County funds are budgeted and reported separately from revenues and expenditures as operating transfers in (out). A summary of net interfund transfers for the year ended December 31, 2006, follows:

	<u>Transfers from other funds</u>	<u>Transfers to other funds</u>
Operating transfers:		
General Fund	\$ 691,034	\$ 570,825
Special revenue funds	262,800	301,034
Enterprise funds	190,525	250,000
Internal service funds		140,000
Community Mental Health Authority	111,625	
Difference - Component Unit with September 30, 2006 year end	<u>5,875</u>	
Total Operating Transfers	<u>\$ 1,261,859</u>	<u>\$ 1,261,859</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - RESTRICTED NET ASSETS

Following is a summary of restricted portions of fund balance for individual funds at December 31, 2006:

<u>Fund</u>	<u>Purpose</u>	<u>Amount of Reserve</u>
Primary Government:		
General	Maintenance of effort tax collections	\$ 60,745
Special Revenue:		
Community Development Block Grant Fund	Long-term portion of notes receivable	14,994
Debt Service	Debt service	<u>143</u>
		\$ 75,882
Proprietary:		
Forest and Parks Commission	Roads	\$ 25,000
Gogebic County Transit	Future unemployment claims	3,472
Medical Care Facility	Capital projects/residential activities	<u>2,627</u>
		\$ 31,099
		<u>\$ 106,981</u>
Component Units:		
Economic Development Corporation	Long-term portion of notes receivable	\$ 62,295
Community Mental Health Authority	Employee benefits	<u>35,334</u>
		<u>\$ 97,629</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - FIXED ASSETS

Changes in governmental activities, business-type activities and component unit capital assets are summarized below:

	Balance at January 1, <u>2006</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2006</u>
<u>Governmental Activities</u>				
General:				
Land	\$ 25,000			\$ 25,000
Buildings	2,560,450			2,560,450
Furniture and fixtures	<u>1,479,081</u>	<u>\$ 127,063</u>	<u>\$ 35,478</u>	<u>1,570,666</u>
	\$ 4,064,531	\$ 127,063	\$ 35,478	\$ 4,156,116
Less accumulated depreciation	<u>2,393,221</u>	<u>137,836</u>	<u>35,478</u>	<u>2,495,579</u>
Total Governmental Activities	\$ 1,671,310	\$ (10,773)	\$ 0	\$ 1,660,537
<u>Business-Type Activities</u>				
<u>Major Funds</u>				
Medical Care Facility:				
Land and improvements	\$ 238,525			\$ 238,525
Buildings	2,766,570	\$ 65,259		2,831,829
Equipment and vehicles	<u>1,053,957</u>	<u>68,136</u>	<u>\$ 57,051</u>	<u>1,065,042</u>
	\$ 4,059,052	\$ 133,395	\$ 57,051	\$ 4,135,396
Less accumulated depreciation	<u>2,544,282</u>	<u>203,546</u>	<u>57,051</u>	<u>2,690,777</u>
	\$ 1,514,770	\$ (70,151)	\$ 0	\$ 1,444,619
Airport - Operating:				
Land and improvements	\$ 7,123,769			\$ 7,123,769
Buildings	813,155			813,155
Equipment and vehicles	<u>601,249</u>			<u>601,249</u>
	\$ 8,538,173			\$ 8,538,173
Less accumulated depreciation	<u>6,981,079</u>	<u>\$ 169,752</u>		<u>7,150,831</u>
	\$ 1,557,094	\$ (169,752)	\$ 0	\$ 1,387,342

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - FIXED ASSETS (CONTINUED)

	Balance at January 1, <u>2006</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2006</u>
<u>Business-Type Activities (Continued)</u>				
<u>Major Funds (Continued)</u>				
Airport - Capital Improvement				
Buildings and fencing	\$ 777,408			\$ 777,408
Equipment and vehicles	<u>281,577</u>	\$ 88,614		<u>370,191</u>
	\$ 1,058,985	\$ 88,614		\$ 1,147,599
Less accumulated depreciation	<u>197,506</u>	<u>54,686</u>		<u>252,192</u>
	\$ 861,479	\$ 33,928		\$ 895,407
Forestry and Parks Commission:				
Land and improvements	\$ 326,979			\$ 326,979
Buildings	154,208	\$ 53,756		207,964
Equipment and vehicles	<u>157,690</u>	<u>48,047</u>	\$ 29,744	<u>175,993</u>
	\$ 638,877	\$ 101,803	\$ 29,744	\$ 710,936
Less accumulated depreciation	<u>144,579</u>	<u>28,876</u>	<u>17,748</u>	<u>155,707</u>
	\$ 494,298	\$ 72,927	\$ 11,996	\$ 555,229
<u>Nonmajor Funds:</u>				
Fair Board:				
Land and improvements	\$ 3,233			\$ 3,233
Buildings	782,026			782,026
Equipment and vehicles	<u>19,185</u>			<u>19,185</u>
	\$ 804,444	\$ 0		\$ 804,444
Less accumulated depreciation	<u>139,570</u>	<u>13,678</u>		<u>153,248</u>
	\$ 664,874	\$ (13,678)		\$ 651,196
Gogebic County Transit:				
Land and improvements	\$ 37,557			\$ 37,557
Buildings	541,123	\$ 31,432		572,555
Equipment and vehicles	<u>504,901</u>	<u>59,806</u>	\$ 54,589	<u>510,118</u>
	\$ 1,083,581	\$ 91,238	\$ 54,589	\$ 1,120,230
Less accumulated depreciation	<u>638,272</u>	<u>90,599</u>	<u>54,589</u>	<u>674,282</u>
	\$ 445,309	\$ 639	\$ 0	\$ 445,948
Construction in progress	<u>152,886</u>		<u>87,783</u>	<u>65,103</u>
Total Business-Type Activities	\$ 5,690,710	\$ (146,087)	\$ 99,779	\$ 5,444,844
Total Primary Government	\$ 7,362,020	\$ (156,860)	\$ 99,779	\$ 7,105,381

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - FIXED ASSETS (CONTINUED)

	Balance at January 1, <u>2006</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2006</u>
<u>Component Units</u>				
Gogebic County Road Commission:				
Land and improvements	\$ 1,617			\$ 1,617
Infrastructure	6,245,936	\$1,195,248		7,441,184
Buildings	793,534			793,534
Equipment	<u>5,613,611</u>	<u>234,350</u>	<u>\$ 486,015</u>	<u>5,361,946</u>
	\$12,654,698	\$1,429,598	\$ 486,015	\$13,598,281
Less accumulated depreciation	<u>5,437,415</u>	<u>651,717</u>	<u>486,015</u>	<u>5,603,117</u>
	\$ 7,217,283	\$ 777,881	\$ 0	\$ 7,995,164
Community Mental Health Authority:				
Land	\$ 4,128	\$ 3,589		\$ 7,717
Buildings	2,469,897			2,469,897
Furniture and fixtures	<u>986,471</u>	<u>67,683</u>	<u>\$ 93,563</u>	<u>960,591</u>
	\$ 3,460,496	\$ 71,272	\$ 93,563	\$ 3,438,205
Less accumulated depreciation	<u>1,270,071</u>	<u>117,490</u>	<u>82,240</u>	<u>1,305,321</u>
	\$ 2,190,425	\$ (46,218)	\$ 11,323	\$ 2,132,884
Western U.P. Manpower Consortium:				
Equipment	\$ 162,468	\$ 4,505	\$ 28,388	\$ 138,585
Less accumulated depreciation	<u>115,903</u>	<u>12,843</u>	<u>28,388</u>	<u>100,358</u>
	\$ 46,565	\$ (8,338)	\$ 0	\$ 38,227
Total Component Units	<u>\$ 9,454,273</u>	<u>\$ 723,325</u>	<u>\$ 11,323</u>	<u>\$ 10,166,275</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L – FIXED ASSETS (CONTINUED)

The Airport Capital Improvement had construction in progress of \$65,103 at December 31, 2006. \$45,412 is for preliminary costs for a possible future runway. The timetable and future cost for construction of this potential runway are not known. \$19,691 is for equipment and various construction projects at the Airport. The equipment and various construction projects are expected to be started and completed in 2007. Total cost is expected to be \$580,500. Federal and State grants will fund about \$560,000 of the expected cost.

NOTE M - LONG-TERM DEBT

There are a number of limitations and restrictions contained in the various debt instruments. The County is in compliance with all significant limitations and restrictions.

The following is a summary of bond, note and installment debt transactions of the County for the year ended December 31, 2006:

	Bonds and Notes Payable at January 1, <u>2006</u>	New Debt <u>Incurred</u>	Debt <u>Retired</u>	Bonds and Notes Payable at December 31, <u>2006</u>
<u>Primary Government</u>				
General obligation indebtedness	\$ 435,000		\$ 65,000	\$ 370,000
Note payable to bank	<u>13,741</u>	\$ 57,926	<u>13,135</u>	<u>58,532</u>
Total Primary Government	\$ 448,741	\$ 57,926	\$ 78,135	\$ 428,532
<u>Component Units</u>				
Notes payable to bank	\$ 60,334	\$ 38,325	\$ 24,271	\$ 74,388
Capital lease payable	<u>1,635,000</u>		<u>135,000</u>	<u>1,500,000</u>
Total Component Units	\$ 1,695,334	\$ 38,325	\$ 159,271	\$ 1,574,388
	<u>\$ 2,144,075</u>	<u>\$ 96,251</u>	<u>\$ 237,406</u>	<u>\$ 2,002,920</u>

Total interest expense for the year was \$32,360 for the Primary Government and \$66,652 for the Component Unit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M - LONG-TERM DEBT (CONTINUED)

The Water Supply System and Sewage Disposal System bonds presented below were used to finance prior years' Department of Public Works capital outlay projects. The Water Supply and Sewage Disposal bonds were issued under the provisions of Act 185, Public Acts of Michigan, 1957, as amended. These bonds are payable primarily from the proceeds of certain specified contractual payments to be made to the County by the City of Ironwood, Michigan, pursuant to contracts referred to in the bonds.

The notes payable were used to finance a fuel tank at the airport, six automobiles and a Kubota tractor for the Mental Health Authority.

The following is a summary of the County's long-term debt outstanding as of December 31, 2006:

	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
<u>Primary Government</u>			
General obligation indebtedness:			
1990 Water Supply System Bonds	6.80-7.40%	2010	\$ 125,000
1991 Sewage Disposal System Bonds	6.90-7.10%	2011	<u>245,000</u>
Total General Obligation Indebtedness			\$ 370,000
Note payable to bank	3.60%	2010	<u>58,532</u>
Total Primary Government			\$ 428,532
<u>Component Units</u>			
Notes payable to bank	4.40-5.11%	2010	\$ 74,388
Capital lease payable	6.90-7.875%	2015	<u>1,500,000</u>
Total Component Units			\$ 1,574,388
TOTAL LONG-TERM DEBT			<u>\$ 2,002,920</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M - LONG-TERM DEBT (CONTINUED)

The annual principal and interest requirements to maturity for all long-term indebtedness outstanding are as follows:

	Year ending December 31,					
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012-2016</u>
<u>Primary Government</u>						
General obligation	\$ 96,528	\$ 96,528	\$ 96,145	\$100,400	\$ 58,904	\$ 0
Note payable to bank	<u>15,063</u>	<u>16,432</u>	<u>16,432</u>	<u>15,009</u>		
Total Primary Government	\$ 111,591	\$112,960	\$112,577	\$115,409	\$ 58,904	\$ 0
<u>Component Unit</u>						
Note payable to bank	\$ 30,390	\$ 29,838	\$ 14,997	\$ 6,230		
Capital lease payable	<u>205,081</u>	<u>204,181</u>	<u>203,081</u>	<u>206,681</u>	<u>\$200,081</u>	<u>\$ 786,560</u>
Total Component Unit	\$ <u>235,471</u>	\$ <u>234,019</u>	\$ <u>218,078</u>	\$ <u>212,911</u>	\$ <u>200,081</u>	\$ <u>786,560</u>
	<u>\$ 347,062</u>	<u>\$346,979</u>	<u>\$330,655</u>	<u>\$328,320</u>	<u>\$258,985</u>	<u>\$ 786,560</u>

NOTE N – COMMUNITY MENTAL HEALTH AUTHORITY BUILDING LEASE

During February 1995 the Authority entered into a 20-year lease with its component unit to lease a clinic and administrative operations building and a group home. The payments are to be sufficient to provide for the principal and interest due on the bonds issued by its component unit to construct the buildings. On February 28, 2005, this lease was updated as the component unit issued 2005 Revenue Refunding Bonds of \$1,635,000 and used the proceeds to refund the original bonds of \$1,520,000. The interest rates vary from 4% to 4.625%. At the end of the lease, the ownership of the buildings is to be turned over to Gogebic County, Michigan, with no financial obligation to the County and for the County to manage at its discretion. The principal value of the bonds has been capitalized and recorded as a capital asset. The required lease payments are sufficient to cover its component unit's principal and interest payment due on October 1 and April 1 of each year. The present value of the net minimum lease payments is equal to the total principal due on the bonds of the component unit. A summary of the annual payments follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE N – COMMUNITY MENTAL HEALTH AUTHORITY BUILDING LEASE (CONTINUED)

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 145,000	\$ 60,081	\$ 205,081
2008	150,000	54,181	204,181
2009	155,000	48,081	203,081
2010	165,000	41,681	206,681
2011	165,000	35,081	200,081
2012	170,000	28,275	198,275
2013	175,000	20,941	195,941
2014	185,000	12,950	197,950
2015	<u>190,000</u>	<u>4,394</u>	<u>194,394</u>
	<u>\$ 1,500,000</u>	<u>\$ 305,665</u>	<u>\$ 1,805,665</u>

NOTE O - OPERATING LEASES

During the year the Community Mental Health Authority leased buildings for various programs, computer software and a postage meter and paid \$43,901 under operating leases.

Western U.P. Manpower Consortium leases office space under various operating leases. Rent expense for 2006 was \$77,871. The Consortium also leases various buildings and equipment for specific programs on a short-term basis. There are no future lease obligations associated with any of the leases. Rent expense for these types of rental agreements is minimal with no future lease obligations.

Future minimum rental payments for each of the five years ending December 31, 2011, excluding payments on the Community Mental Health Authority building lease described in Note N above, are:

2007	\$41,644
2008	41,644
2009	41,644
2010	16,309
2011	0

NOTE P - ACCUMULATED ABSENCES AND POST EMPLOYMENT BENEFITS

Under contracts negotiated with employees, individual employees have a vested right to receive payments for unused sick, personal and vacation leave. The dollar amount of these vested rights, which is recorded in the financial statements as a liability as of December 31, 2006, is \$598,487 for the primary government and \$551,182 for discretely presented component units.

Following is a summary of employment policies related to accumulated absences:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P - ACCUMULATED ABSENCES AND POST EMPLOYMENT BENEFITS (CONTINUED)

General County Operations

Sick leave is earned in varying amounts depending upon union or nonunion employee status, is generally limited to 1 or 1-1/4 day for each completed monthly period of service and may generally be accumulated in unlimited amounts.

General County employees receive cash payment upon retirement of one-half of accumulated sick days at \$50 per day with an 80-day maximum payout. Certain appointed officials receive cash payment of one-half of accumulated sick days at current salary rates. The sick leave liability recorded in the financial statements represents only that amount that would be payable should an employee retire.

Vacation pay is not paid upon termination of employment. No liability for unused vacation pay is reported in the County's financial statements.

Community Mental Health Authority

The Community Mental Health Authority has a written policy providing for payment for sick, personal and vacation leave. All compensated absences are combined as Paid Time Off and the employees have the option of selling sick leave back to the Community Mental Health Authority or converting it to Paid Time Off at a ratio of two for one. Each employee's accumulated Paid Time Off is computed by applying current rates of pay times total accumulated hours, as limited by the policy. The total, \$221,554, is reported in the financial statements as a liability.

Gogebic County Transit

Gogebic County Transit has a written policy providing for payment of sick and vacation leave. Payment in lieu of accrued sick leave is limited to \$20 per day for one-half of accumulated leave days. Payment of vacation leave upon termination of employment is limited to thirty leave days. Each employee's accumulated vacation and sick pay is computed by applying his current rate of pay times total accumulated leave, subject to the limits. The total, \$17,649, is reported in the financial statements as a liability.

Road Commission

Road Commission employment policies provide that each full-time employee shall earn one day of sick leave credit for each month of service. Sick leave credits may be accumulated to a maximum of 120 days. Payment of 50% of accumulated benefits will be made when an employee dies, is discharged or laid off and 60% of benefits paid at normal retirement. 25% of accumulated benefits is made to an employee who voluntarily separates from employment with the Road Commission. The total, \$341,903, is reported in the financial statements as a liability with \$30,921 reported as current portion.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P - ACCUMULATED ABSENCES AND POST EMPLOYMENT BENEFITS (CONTINUED)

Western U.P. Manpower Consortium

Consortium employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. The Consortium records expenditures for vacation at the time it is used or when paid out at the time of retirement. A liability of \$18,646 is recorded in the financial statements at December 31, 2006.

Post Employment Benefits

There were no post employment benefits, other than retirement benefits, available to employees of the County.

NOTE Q - RETIREMENT SYSTEM

Gogebic County administers a defined benefit pension plan--Gogebic County Employees Retirement System. The plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan.

Summary of Significant Accounting Policies

Basis of Accounting - Gogebic County's retirement financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments - Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

Plan Description and Contribution Information

Membership of the plan consisted of the following at December 31, 2005, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	184
Terminated plan members entitled to but not yet receiving benefits	26
Active plan members	<u>365</u>
Total	<u>575</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

Retirement System Pension Plan

Plan Description - Retirement System is a single-employer defined benefit pension plan that covers the employees of Gogebic County, including all departments and agencies. Retirement System provides retirement, disability and death benefits to plan members and their beneficiaries. County ordinance assigns the authority to establish and amend the benefit provisions of the plan to the Board of Commissioners.

Member Contributions

General (hired prior to January 1, 1994, or hired after December 31, 1993, with five or more years of service), Medical Care Facility - AFSCME, Road Commission (with eight or more years of service) elected and appointed officials with five or more years of service and WPPA: none.

Community Mental Health: Residential and non-residential pays 6.2% of annual compensation.

General (hired between January 1, 1994 and July 1, 2004, and having less than five years of service) or hired after July 1, 2004, Elected and appointed officials (hired after January 1, 1994 and having less than five years of service), Airport (with less than 5 years of service or hired after July 1, 2004), Manpower, and Road Commission (with less than eight years of service), and Medical Care Facility (non-AFSCME): 3% of the first \$4,200 of annual compensation plus 5% of annual compensation in excess of \$4,200. Effective August 1, 2001, Airport employees contribute 1.0% and General employees contribute an additional 1.0%.

Regular Retirement

Eligibility:

Elected and Appointed Officials	Sum of age and years of service equal 80 with a minimum age of 55, or age 60 with 8 years of service
WPPA (Wisconsin Professional Police Association), Airport Group	Age 55 with 25 years of service, or age 60 with 8 years of service
Manpower Medical Care Facility SEIU Local 79	Sum of age and years of service equal 70, or age 60 with 8 years of service
Community Mental Health	Sum of age and years of service equal 70, any age with 20 years of service, or age 60 with 8 years of service
Others	Age 55 with 30 years of service, or age 60 with 8 years of service

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

Regular Retirement (Continued)

Annual Amount:

Medical Care Facility AFSCME, RN,
SEIU Local 79, Cooks,
Road Commission, Administrator,
Admin Staff and Manpower

Total credited service multiplied by 2.0% of
final average compensation (FAC)

Elected and Appointed Officials, WPPA
and Community Mental Health

Total credited service multiplied by 2.5% of
FAC

General County and Airport

Total credited service multiplied by 2.25%
of FAC

Others

Total credited service multiplied by 1.6% of
FAC

Maximum County-financed portion is 75% of final average compensation.

Type of Final Average Compensation – Generally, highest 5 consecutive years out of last 10 years of credited service, with the following exceptions:

General County members, WPPA, Community Mental Health, Airport and Medical Care Facility administrative staff use highest 3 consecutive years out of the last 10 years.

Road Commission members with 30 or more years of service use highest 3 consecutive years out of the last 5 years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

Deferred Retirement (vested benefit):

Eligibility - Eight years of service; 10 years of service for WPPA members hired after July 1, 2004. Benefit begins when member would have attained normal retirement age based on service at time of termination.

Annual Amount - Same as regular retirement but based upon service and final average compensation at time of termination.

The plan also provides benefits for both duty and non-duty disability and death.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --Entry Age (b)	(Overfunded) Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	(AAL) UAAL as a Percentage of Covered Payroll ((b - a) / c)
2003	\$ 30,727	\$32,290	\$1,563	95 %	\$11,134	14 %
2004	32,809	36,277	3,468	90	10,974	32
2005	34,372	38,103	3,731	90	10,723	35

Year Ended December 31,	Retirement System	
	Annual Required Contribution	Percentage Contributed
2003	\$ 929,986	100 %
2004	1,285,019	100
2005	1,044,009	100

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Retirement System</u>
Valuation date	December 31, 2005
Actuarial cost method	Individual entry age
Amortization method for unfunded accrued liabilities	Level percent open
Remaining amortization period	30 years
Amortization method for temporary funding credits	Level percent open
Remaining amortization period	12 years
Asset valuation method	5-year smoothed market method
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases, including inflation at 4.5%	4.5% - 9%
Cost-of-living adjustments	None

NOTE R - DEFINED CONTRIBUTION PENSION PLAN

All full-time employees of Gogebic County Transit are covered by a simplified employee pension plan administered by Transamerica Occidental Life. The Plan is a defined contribution plan covering all employees who are at least 21 years old and who have performed services for the Transit in at least three of the immediately preceding five years.

The Transit contributes 5 percent, increased to 7.5% on June 1, 2006, of each employee's annual wages. Employees do not make contributions to the Plan. All participants are fully vested immediately. During the year ended September 30, 2006, the Transit made contributions to the Plan of \$11,379.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE S – COMMITMENT

On June 1, 1998, Gogebic County and Wakefield Township entered into a \$450,000 economic development financing agreement (the agreement) with the State of Michigan. The agreement provided 50 percent of the monies needed to develop property (the project) in a State designated Renaissance Zone in Wakefield Township. The agreement was initially funded with a \$450,000 Community Development Block Grant administered by the Michigan Jobs Commission. The remaining 50 percent was provided by the Lac Vieux Desert Band of Chippewa Indians.

The State offset any monies it advanced under the agreement via application of a formula that provided for a \$20,000 reduction for each qualifying new job created. Any shortfall was to become a liability of both Wakefield Township and Gogebic County on May 31, 2005. A repayment schedule was to be determined by the State at that time if necessary. Gogebic County and Wakefield Township each pledged all payments they are eligible to receive under 1971 PA 140 as collateral for any State advances not offset by new job creation. Wakefield Township committed to reimbursing the County for any County liability incurred. As of December 31, 2006, there was no shortfall of jobs created and Gogebic County is not liable for any liability under the agreement.

All administrative, financial and reporting responsibilities have been assumed by Wakefield Township. Accordingly, financial statements relating to the project are included in the Township's annual financial statements.

NOTE T - DEFERRED COMPENSATION PLANS

The County offers its employees a choice of several deferred compensation plans created in accordance with Internal Revenue Code Section 457. Because the County does not have an established trust agreement with the Plan trustees, does not provide investment advice and does not administer the Plan, the County has not established a fiduciary relationship with the Plan. Therefore, the Plan assets are not included in the financial statements of the County.

NOTE U – COMMUNITY MENTAL HEALTH AUTHORITY

Retirement System

The Authority participates in Gogebic County's single-employer defined benefit pension plan that covers substantially all of its employees. County ordinance assigns the authority to establish and amend the benefit provisions of the plan to the County Board of Commissioners.

Essentially all employees are eligible to participate in the System. All employees who retire at or after the time when the sum of age plus years of credited service is equal to 70, or age 60 with 8 years of credited service, or 20 years of service, are entitled to annual retirement benefit, payable monthly for life, equal to total service years times 2.5% of final average compensation. Final average compensation is the employee's highest three years out of the last ten.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE U – COMMUNITY MENTAL HEALTH AUTHORITY (CONTINUED)

Retirement System (Continued)

Benefits fully vest upon reaching 8 years of service. The System also provides death and disability benefits. Benefits are established by State statute. The Authority makes all required payments for its members.

On December 2, 2003, the employees of the Authority voted to opt out of social security and elected an alternative to the social security benefit package. The alternative to the social security benefit package included enhancements to the current defined benefit pension plan through Gogebic County and the addition of a 401(a) money purchase plan. The enhancements to the pension plan included an increase in multiplier to 2.5% for both non-residential and residential employees, change in the final average compensation to the best three out of the last ten years, addition of the Deferred Retirement Option Plan (DROP), the cost of the 70 and out plan, and other options available at the time of retirement. In 2003, the contribution into the pension fund for the employees of the Authority was 8.96% and the contribution into social security was 12.4% to total 21.36%. With the enhancements of the alternative to social security plan, the contributions into the pension plan for employees are 20.2%. This contribution is funded by a 6.2% employee contribution and a 14% employer contribution. The employer also contributes 2.64% for non-residential employees and 1.45% for residential employees into the 401(a) money purchase plan. This difference in contribution into the 401(a) plan is due to the difference in cost to increase the pension multiplier to 2.5% as non-residential employees were previously at 2.0% while residential employees were at 1.6%.

Employer retirement contributions for the year ended September 30, 2006, were \$341,101, in accordance with actuarially determined contribution requirements.

NOTE V – LITIGATION

Gogebic Medical Care Facility has been named a defendant in a lawsuit filed on behalf of an estate for accumulated sick and vacation leave pay in excess of \$110,000. Gogebic Medical Care is contesting the case and discovery is ongoing. An evaluation of the likelihood of the outcome is premature at this time. No liability for this lawsuit has been recognized in the financial statements.

NOTE W - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintained five Enterprise Funds during the year ended December 31, 2006. Services provided by the Funds include medical care, airport, forestry, fair and public transportation services. Segment information for the year ended December 31, 2006, was as follows:

	Medical Care Facility	Airport Operating	Capital Improvement
Operating revenues	\$ 8,292,000	\$ 506,407	\$ 17,500
Operating expenses	<u>7,614,627</u>	<u>855,901</u>	<u>112,624</u>
Operating income (loss)	\$ 677,373	\$ (349,494)	\$ (95,124)
Nonoperating revenues (expenses) (excluding tax revenues)	0	24,341	(45,888)
Tax revenues	0	0	0
Operating transfers in (out)	0	173,025	17,500
Current capital contributions	<u>0</u>	<u>0</u>	<u>12,778</u>
Increase (decrease) in net assets	\$ 677,373	\$ (152,128)	\$ (110,734)
Net assets at January 1, 2006	<u>2,187,517</u>	<u>1,570,106</u>	<u>1,088,361</u>
Net assets at December 31, 2006	<u>\$ 2,864,890</u>	<u>\$ 1,417,978</u>	<u>\$ 977,627</u>
Total net assets:			
Invested in capital assets	\$ 1,444,619	\$ 1,387,342	\$ 901,978
Restricted	2,627	0	0
Unrestricted	<u>1,417,644</u>	<u>30,636</u>	<u>75,649</u>
Total net assets	<u>\$ 2,864,890</u>	<u>\$ 1,417,978</u>	<u>\$ 977,627</u>
Long-term debt - payable from operating revenues (including portion payable within one year)	0	0	58,532
Total liabilities	1,042,637	54,312	58,532
Land, buildings and equipment:			
Additions	133,395	0	88,614
Deletions	57,051	0	0
Net cash provided by (used in):			
Operating activities	\$ 1,087,316	\$ (196,822)	\$ (23,335)
Capital and related financing activities	(97,787)	0	(36,685)
Noncapital financing activities	0	197,366	17,500
Investing activities	<u>0</u>	<u>0</u>	<u>0</u>
Net increase (decrease) in cash and temporary investments	\$ 989,529	\$ 544	\$ (42,520)
Cash and temporary investments at January 1, 2006	<u>619,869</u>	<u>14,501</u>	<u>112,669</u>
Cash and temporary investments at December 31, 2006	<u>\$ 1,609,398</u>	<u>\$ 15,045</u>	<u>\$ 70,149</u>

STATEMENTS (CONTINUED)

Forestry and Parks <u>Commission</u>	Fair <u>Board</u>	Gogebic County <u>Transit</u>	Total Enterprise <u>Funds</u>
\$ 544,948	\$ 122,923	\$ 58,558	\$ 9,542,336
<u>350,928</u>	<u>171,277</u>	<u>501,524</u>	<u>9,606,881</u>
\$ 194,020	\$ (48,354)	\$ (442,966)	\$ (64,545)
27,398	36,355	241,114	283,320
0	0	130,106	130,106
(250,000)	0	0	(59,475)
<u>0</u>	<u>0</u>	<u>90,412</u>	<u>103,190</u>
\$ (28,582)	\$ (11,999)	\$ 18,666	\$ 392,596
<u>994,415</u>	<u>671,914</u>	<u>659,408</u>	<u>7,171,721</u>
<u>\$ 965,833</u>	<u>\$ 659,915</u>	<u>\$ 678,074</u>	<u>\$ 7,564,317</u>
\$ 555,827	\$ 651,196	\$ 445,948	\$ 5,386,910
25,000	0	3,472	31,099
<u>385,006</u>	<u>8,719</u>	<u>228,654</u>	<u>2,146,308</u>
<u>\$ 965,833</u>	<u>\$ 659,915</u>	<u>\$ 678,074</u>	<u>\$ 7,564,317</u>
0	0	0	58,532
44,140	806	33,412	1,233,839
101,803	0	91,238	415,050
29,744	0	54,589	141,384
\$ 228,443	\$ (34,464)	\$ (359,855)	\$ 701,283
(79,233)	0	2,031	(211,674)
(250,000)	36,355	382,743	383,964
<u>10,281</u>	<u>0</u>	<u>4,777</u>	<u>15,058</u>
\$ (90,509)	\$ 1,891	\$ 29,696	\$ 888,631
<u>137,101</u>	<u>6,494</u>	<u>107,360</u>	<u>997,994</u>
<u>\$ 46,592</u>	<u>\$ 8,385</u>	<u>\$ 137,056</u>	<u>\$ 1,886,625</u>

REQUIRED
SUPPLEMENTAL
INFORMATION

BUDGETARY COMPARISON SCHEDULE - MAJOR GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

	General Fund			Revenue Sharing Reserve Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Taxes	\$ 2,883,143	\$ 2,883,143	\$ 2,922,580	\$ 786,360	\$ 786,360	\$ 786,360
Licenses and permits	19,125	19,125	23,990			
Federal grants	368,488	368,488	381,493			
State grants	572,727	646,649	593,659			
Contributions from local units	92,811	92,811	90,281			
Charges for services	544,319	544,319	629,869			
Fines and forfeits	37,500	37,500	62,504			
Interest and rents	89,280	191,746	209,938			
Other revenues	<u>37,144</u>	<u>40,300</u>	<u>55,872</u>			
Total Revenues	\$ 4,644,537	\$ 4,824,081	\$ 4,970,186	\$ 786,360	\$ 786,360	\$ 786,360
Expenditures:						
Current expenditures:						
Legislative	\$ 46,281	\$ 54,981	\$ 53,625			
Judicial	796,987	806,210	813,000			
General government	1,040,335	1,081,731	1,050,601			
Public safety	1,169,296	1,296,527	1,294,432			
Health and welfare	383,545	385,545	373,447			
Other functions	1,376,495	1,367,489	1,303,448			
Capital outlay	<u>37,745</u>	<u>37,745</u>	<u>35,569</u>			
Total Expenditures	\$ 4,850,684	\$ 5,030,228	\$ 4,924,122	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ (206,147)	\$ (206,147)	\$ 46,064	\$ 786,360	\$ 786,360	\$ 786,360
Other financing sources - Operating transfers in (out)	206,147	206,147	120,209	(301,034)	(301,034)	(301,034)
Excess of Revenues and Other Financing Sources Over Expenditures	\$ 0	\$ 0	\$ 166,273	\$ 485,326	\$ 485,326	\$ 485,326
Fund balance at January 1, 2006	361,902	361,902	361,902	362,251	362,251	362,251
FUND BALANCE AT DECEMBER 31, 2006	\$ 361,902	\$ 361,902	\$ 528,175	\$ 847,577	\$ 847,577	\$ 847,577

The accompanying notes are an integral part of the financial statements.

OTHER
FINANCIAL
INFORMATION

COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

	General Fund	Special Revenue Funds	Debt Service Fund	Total
ASSETS				
Cash	\$ 582,070	\$ 1,184,516	\$ 143	\$ 1,766,729
Receivables (net, where applicable, of allowances for uncollectibles):				
Taxes	1,156,700			1,156,700
State of Michigan	73,028	51,396		124,424
Notes		53,916		53,916
Other	49,397	22,816		72,213
Due from other funds	<u>62,656</u>	<u> </u>	<u> </u>	<u>62,656</u>
	<u>\$ 1,923,851</u>	<u>\$ 1,312,644</u>	<u>\$ 143</u>	<u>\$ 3,236,638</u>
LIABILITIES AND COUNTY EQUITY				
Accounts payable	\$ 82,334	\$ 61,471		\$ 143,805
Salaries and wages and related liabilities	93,986			93,986
Deferred revenues	<u>1,219,356</u>	<u>71,862</u>	<u> </u>	<u>1,291,218</u>
Total Liabilities	<u>\$ 1,395,676</u>	<u>\$ 133,333</u>	<u>\$ 0</u>	<u>\$ 1,529,009</u>
County equity:				
Fund balance:				
Reserved	\$ 60,745	\$ 14,994	\$ 143	\$ 75,882
Unreserved	<u>467,430</u>	<u>1,164,317</u>	<u> </u>	<u>1,631,747</u>
Total County Equity	<u>\$ 528,175</u>	<u>\$ 1,179,311</u>	<u>\$ 143</u>	<u>\$ 1,707,629</u>

The accompanying notes are an integral part of the
financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Revenues:				
Taxes	\$ 2,922,580	\$ 1,009,241		\$ 3,931,821
Licenses and permits	23,990			23,990
Federal grants	381,493	28,675		410,168
State grants	593,659	327,057		920,716
Contributions from local units	90,281	21,575	\$ 97,349	209,205
Charges for services	629,869	163,266		793,135
Fines and forfeits	62,504			62,504
Interest and rents	209,938	711		210,649
Other revenues	<u>55,872</u>	<u>102,603</u>		<u>158,475</u>
Total Revenues	\$ 4,970,186	\$ 1,653,128	\$ 97,349	\$ 6,720,663
Expenditures:				
Current expenditures:				
Legislative	\$ 53,625			\$ 53,625
Judicial	813,000	\$ 12,391		825,391
General government	1,050,601			1,050,601
Public safety	1,294,432	181,642		1,476,074
Health and welfare	373,447	864,954		1,238,401
Recreation and culture		78,732		78,732
Other functions	1,303,448			1,303,448
Capital outlay	35,569	91,494		127,063
Debt service			\$ 97,360	97,360
Total Expenditures	\$ 4,924,122	\$ 1,229,213	\$ 97,360	\$ 6,250,695
Excess (Deficiency) of Revenues Over Expenditures	\$ 46,064	\$ 423,915	\$ (11)	\$ 469,968
Other financing sources (uses) - Operating transfers in (out)	<u>120,209</u>	<u>(38,234)</u>		<u>81,975</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 166,273	\$ 385,681	\$ (11)	\$ 551,943
Fund balance at January 1, 2006	<u>361,902</u>	<u>793,630</u>	<u>154</u>	<u>1,155,686</u>
FUND BALANCE AT DECEMBER 31, 2006	<u>\$ 528,175</u>	<u>\$ 1,179,311</u>	<u>\$ 143</u>	<u>\$ 1,707,629</u>

The accompanying notes are an integral part of the
financial statements.

BALANCE SHEET - GENERAL FUND

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

ASSETS			
Cash		\$	582,070
Receivables:			
Current property taxes	\$	1,089,282	
Delinquent personal property taxes		67,418	
State of Michigan		73,028	
Other		<u>49,397</u>	1,279,125
Due from other funds			<u>62,656</u>
		\$	<u>1,923,851</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable		\$	82,334
Salaries and wages			93,986
Deferred revenue			<u>1,219,356</u>
	Total Liabilities	\$	1,395,676
Fund balance:			
Reserved for maintenance of effort	\$	60,745	
Unreserved		<u>467,430</u>	<u>528,175</u>
		\$	<u>1,923,851</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Current property taxes (net of chargebacks):			
General operating	\$ 2,562,443	\$ 2,586,777	\$ 24,334
Medical Care Facility maintenance of effort	181,000	184,184	3,184
Animal control	75,500	76,205	705
Delinquent property taxes	10,000	11,328	1,328
Commercial forest reserve	45,500	51,439	5,939
Other taxes	<u>8,700</u>	<u>12,647</u>	<u>3,947</u>
	\$ 2,883,143	\$ 2,922,580	\$ 39,437
Licenses and permits	19,125	23,990	4,865
Federal grants:			
Payment in lieu of taxes	\$ 290,000	\$ 310,766	\$ 20,766
Cooperative reimbursements	35,000	32,660	(2,340)
2004 Hazardous Materials Emergency	662	662	
2006 Emergency management performance	7,500	5,126	(2,374)
2005 Law Enforcement Terrorism	2,000	1,807	(193)
2005 Homeland Security Equipment	4,526	3,291	(1,235)
2004 Homeland Security Equipment	23,000	21,381	(1,619)
2005 Homeland Security Training	3,000	3,000	
Other federal grants	<u>2,800</u>	<u>2,800</u>	
	\$ 368,488	\$ 381,493	\$ 13,005
State grants:			
State revenue sharing	\$ 26,638	\$ 10,259	\$ (16,379)
Liquor fees	31,940	32,469	529
Judges' salary supplement	247,956	242,311	(5,645)
Court funding	127,981	119,690	(8,291)
Sheriff and marine safety grants	99,169	89,825	(9,344)
Survey and remonumentation	92,632	92,632	
Prisoner work release fees	4,000	5,709	1,709
Juvenile incentive	<u>16,333</u>	<u>764</u>	<u>(15,569)</u>
	\$ 646,649	\$ 593,659	\$ (52,990)

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND (CONTINUED)

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Contributions from local units:			
Ontonagon County district court costs	\$ 8,000	\$ 8,378	\$ 378
Township liquor licenses	10,000	11,898	1,898
Wage reimbursements	<u>74,811</u>	<u>70,005</u>	<u>(4,806)</u>
	\$ 92,811	\$ 90,281	\$ (2,530)
Charges for services:			
Departmental fees and services	\$ 372,400	\$ 447,578	\$ 75,178
Sheriff law enforcement services	<u>171,919</u>	<u>182,291</u>	<u>10,372</u>
	\$ 544,319	\$ 629,869	\$ 85,550
Fines and forfeits	37,500	62,504	25,004
Interest and rents:			
Interest earned	\$ 142,466	\$ 165,061	\$ 22,595
Rentals and leases	<u>49,280</u>	<u>44,877</u>	<u>(4,403)</u>
	\$ 191,746	\$ 209,938	\$ 18,192
Other revenues:			
Refunds and rebates	\$ 35,000	\$ 49,381	\$ 14,381
Miscellaneous	<u>5,300</u>	<u>6,491</u>	<u>1,191</u>
	\$ 40,300	\$ 55,872	\$ 15,572
Total Revenues	\$ 4,824,081	\$ 4,970,186	\$ 146,105
Other financing sources:			
Operating transfers in:			
Internal Service Fund	\$ 140,000	\$ 140,000	
Revenue Sharing Reserve Fund	386,972	301,034	\$ (85,938)
Forestry and Parks Commission	<u>250,000</u>	<u>250,000</u>	
	\$ 776,972	\$ 691,034	\$ (85,938)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 5,601,053</u>	<u>\$ 5,661,220</u>	<u>\$ 60,167</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Current Expenditures:			
Legislative - Board of Commissioners	\$ 54,981	\$ 53,625	\$ 1,356
Judicial:			
Circuit court	\$ 145,205	\$ 147,343	\$ (2,138)
District court	236,504	233,928	2,576
Probate court	335,348	357,848	(22,500)
Probate court - Juvenile Program	16,333	848	15,485
Indigent attorney contract	69,000	69,954	(954)
Jury commission	<u>3,820</u>	<u>3,079</u>	<u>741</u>
	\$ 806,210	\$ 813,000	\$ (6,790)
General government:			
Administration	\$ 58,106	\$ 58,047	\$ 59
Elections	32,775	26,727	6,048
Clerk/Register of Deeds	187,245	183,551	3,694
Equalization	93,942	94,049	(107)
Prosecuting Attorney	183,298	182,716	582
Survey and remonumentation	92,632	92,935	(303)
Treasurer	104,634	102,021	2,613
Data processing	80,989	71,232	9,757
Building and grounds	147,315	146,325	990
Cooperative extension	80,794	80,247	547
Drain Commissioner	1	1	
Audit	<u>20,000</u>	<u>12,750</u>	<u>7,250</u>
	\$ 1,081,731	\$ 1,050,601	\$ 31,130
Public safety:			
Sheriff department	\$ 925,390	\$ 928,163	\$ (2,773)
Sheriff department - Bessemer/Wakefield Cities	144,418	146,160	(1,742)
Sheriff department - road patrol	55,862	56,285	(423)
Marine law enforcement	8,229	6,462	1,767
ORV law enforcement	14,632	14,597	35
Snowmobile enforcement	22,916	17,100	5,816
Emergency services	48,048	55,697	(7,649)
Animal control	<u>77,032</u>	<u>69,968</u>	<u>7,064</u>
	\$ 1,296,527	\$ 1,294,432	\$ 2,095

STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND (CONTINUED)

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Current Expenditures: (Continued)			
Health and welfare:			
District health	\$ 101,084	\$ 101,084	
Veterans affairs	20,244	20,244	
Medical Care Facility maintenance of effort	180,000	172,185	\$ 7,815
Medical examiners	16,000	14,909	1,091
Soldiers and sailors relief	6,920	3,420	3,500
Soil erosion	13,325	13,324	1
Soil conservation	2,550	2,550	
Western U.P. Substance Abuse	15,970	16,235	(265)
Commission on Aging	12,000	12,000	
Western U.P. Planning and Regional Development	7,454	7,454	
U.P.C.A.P.	800	800	
Cigarette tax	7,198	7,242	(44)
Human Services Coordinating Board	<u>2,000</u>	<u>2,000</u>	
	\$ 385,545	\$ 373,447	\$ 12,098
Other functions:			
Employees' health insurance	\$ 793,777	\$ 755,272	\$ 38,505
Insurance, bonds and fringes	120,275	113,338	6,937
Unemployment compensation	10,000	244	9,756
Workers' compensation	69,999	61,145	8,854
Employees' retirement	293,438	291,063	2,375
Prescription co-pay	35,000	36,650	(1,650)
Optical reimbursements	22,500	23,847	(1,347)
Tax reimbursements	2,800	5,274	(2,474)
Duplicating and office supplies	<u>19,700</u>	<u>16,615</u>	<u>3,085</u>
	\$ <u>1,367,489</u>	\$ <u>1,303,448</u>	\$ <u>64,041</u>
Total Current Expenditures	\$ 4,992,483	\$ 4,888,553	\$ 103,930
Capital outlay	<u>37,745</u>	<u>35,569</u>	<u>2,176</u>
Total Expenditures	\$ 5,030,228	\$ 4,924,122	\$ 106,106

STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND (CONTINUED)

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Other financing uses - appropriation transfers out:			
Mental Health Fund	\$ 117,500	\$ 117,500	
Child Care Fund	220,000	220,000	
Economic Development Commission	12,750	12,750	
Friend of Court	21,250	21,250	
Law Library Fund	8,800	8,800	
Airport:			
Operating	173,025	173,025	
Capital Improvement	<u>17,500</u>	<u>17,500</u>	
	<u>\$ 570,825</u>	<u>\$ 570,825</u>	<u>\$ 0</u>
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 <u>\$ 5,601,053</u>	 <u>\$ 5,494,947</u>	 <u>\$ 106,106</u>

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

	Revenue Sharing Reserve Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
ASSETS							
Cash	\$ 847,577	\$ 71,546	\$ 50,382		\$ 12,327	\$ 202,684	\$ 1,184,516
Receivables:							
State of Michigan				\$ 31,064	20,332		51,396
Notes from individuals					53,916		53,916
Other						22,816	22,816
	<u>\$ 847,577</u>	<u>\$ 71,546</u>	<u>\$ 50,382</u>	<u>\$ 31,064</u>	<u>\$ 86,575</u>	<u>\$ 225,500</u>	<u>\$ 1,312,644</u>

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS (CONTINUED)

	Revenue Sharing Reserve Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable		\$ 8,907		\$ 25,919	\$ 17,665	\$ 8,980	\$ 61,471
Deferred revenue					53,916	17,946	71,862
	\$ 0	\$ 8,907	\$ 0	\$ 25,919	\$ 71,581	\$ 26,926	\$ 133,333
Fund Balance:							
Reserved	\$ 847,577	\$ 62,639	\$ 50,382	\$ 5,145	\$ 14,994	\$ 198,574	\$ 1,164,317
Unreserved	\$ 847,577	\$ 62,639	\$ 50,382	\$ 5,145	\$ 14,994	\$ 198,574	\$ 1,179,311
	\$ 847,577	\$ 71,546	\$ 50,382	\$ 31,064	\$ 86,575	\$ 225,500	\$ 1,312,644

NOTES: The date of the balance sheet of Community Development Block Grant Fund is September 30, 2006.

* Detail on pages 88 and 89.

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - OTHER SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

	County Parks Fund	Law Library Fund	Drug Enforcement Fund	Veterans' Trust Fund	Michigan Justice Training Fund	Crime Victims' Rights Fund	911 Service Fund	Senior Citizens Programs Fund
ASSETS								
Cash	\$ 18,950	\$ 10,531	\$ 376	\$ 736	\$ 494	\$ 25,435	\$ 35,007	\$ 22,316
Receivables - Other								
	<u>\$ 18,950</u>	<u>\$ 10,531</u>	<u>\$ 376</u>	<u>\$ 736</u>	<u>\$ 494</u>	<u>\$ 25,435</u>	<u>\$ 35,007</u>	<u>\$ 22,316</u>
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts payable	\$ 690	\$ 891					\$ 3,029	\$ 4,370
Deferred revenue								<u>17,946</u>
	\$ 690	\$ 891	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,029	\$ 22,316
	<u>18,260</u>	<u>9,640</u>	<u>\$ 376</u>	<u>\$ 736</u>	<u>\$ 494</u>	<u>\$ 25,435</u>	<u>31,978</u>	
Fund Balance - unreserved	<u>\$ 18,950</u>	<u>\$ 10,531</u>	<u>\$ 376</u>	<u>\$ 736</u>	<u>\$ 494</u>	<u>\$ 25,435</u>	<u>\$ 35,007</u>	<u>\$ 22,316</u>

NOTE: The date of the balance sheet of the Senior Citizens Programs Fund is September 30, 2006.

COMBINING BALANCE SHEET - OTHER SPECIAL REVENUE FUNDS (CONTINUED)

	Register of Deeds Automation Fund	Gogebic County Search and Rescue Fund	Probation Supervision Restitution Fund	Drunk Driving Impact Panel Fund	Dare Fund	Victims Advocacy Fund	Drug Forfeiture Fund	Totals
ASSETS								
Cash	\$ 85,300	\$ 1,412	\$ 14,296	\$ 203	\$ 930	\$ 6,503	\$ 2,511	\$ 202,684
Receivables - Other		<u>500</u>						<u>22,816</u>
	<u>\$ 85,300</u>	<u>\$ 1,912</u>	<u>\$ 14,296</u>	<u>\$ 203</u>	<u>\$ 930</u>	<u>\$ 6,503</u>	<u>\$ 2,511</u>	<u>\$ 225,500</u>
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts payable								\$ 8,980
Deferred revenue								<u>17,946</u>
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,926
Fund Balance - unreserved	<u>\$ 85,300</u>	<u>\$ 1,912</u>	<u>\$ 14,296</u>	<u>\$ 203</u>	<u>\$ 930</u>	<u>\$ 6,503</u>	<u>\$ 2,511</u>	<u>198,574</u>
	<u>\$ 85,300</u>	<u>\$ 1,912</u>	<u>\$ 14,296</u>	<u>\$ 203</u>	<u>\$ 930</u>	<u>\$ 6,503</u>	<u>\$ 2,511</u>	<u>\$ 225,500</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

	Revenue Sharing Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
Revenues:							
Taxes	\$ 786,360					\$ 222,881	\$ 1,009,241
Federal grants					\$ 28,675		28,675
State grants		\$ 25,943		\$ 189,314		111,800	327,057
Contributions from local units			\$ 21,575				21,575
Charges for services		29,315		14,039		119,912	163,266
Interest and rents			711				711
Other revenues					17,650	84,953	102,603
	\$ 786,360	\$ 55,258	\$ 22,286	\$ 203,353	\$ 46,325	\$ 539,546	\$ 1,653,128
Expenditures:							
Current:							
Judicial						\$ 12,391	\$ 12,391
Public safety						181,642	181,642
Health and welfare		\$ 321,321	\$ 24,538	\$ 231,707	\$ 46,056	241,332	864,954
Recreation and culture						78,732	78,732
Capital outlay						91,494	91,494
	\$ 0	\$ 321,321	\$ 24,538	\$ 231,707	\$ 46,056	\$ 605,591	\$ 1,229,213

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS (CONTINUED)

	Revenue Sharing Reserve Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
Excess (Deficiency) of Revenues Over Expenditures	\$ 786,360	\$ (266,063)	\$ (2,252)	\$ (28,354)	\$ 269	\$ (66,045)	\$ 423,915
Other financing sources (uses) - operating transfers in (out)	(301,034)	220,000	12,750	21,250		8,800	(38,234)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 485,326	\$ (46,063)	\$ 10,498	\$ (7,104)	\$ 269	\$ (57,245)	\$ 385,681
Fund balance at January 1, 2006	362,251	108,702	39,884	12,249	14,725	255,819	793,630
FUND BALANCE AT DECEMBER 31, 2006	\$ 847,577	\$ 62,639	\$ 50,382	\$ 5,145	\$ 14,994	\$ 198,574	\$ 1,179,311

NOTES: The fiscal year of the Community Development Block Grant Fund is October 1, 2005 to September 30, 2006.

*Detail on page 92 and 93.

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - OTHER SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

	County Parks Fund	Law Library Fund	Drug Enforcement Fund	Veterans' Trust Fund	Michigan Justice Training Fund	Crime Victims' Rights Fund	911 Service Fund	Senior Citizens Programs Fund
Revenues:								
Taxes								\$ 222,881
State grants				\$ 5,565		\$ 5,500	\$ 100,735	
Charges for services	\$ 86,835							
Other revenues			\$ 650			860	59,777	13,037
	\$ 86,835	\$ 0	\$ 650	\$ 5,565	\$ 0	\$ 6,360	\$ 160,512	\$ 235,918
Expenditures:								
Current:								
Judicial		\$ 8,828						
Public safety			\$ 596		\$ 2,436	\$ 1,434	\$ 165,850	\$ 235,918
Health and welfare				\$ 5,414				
Recreational and culture	\$ 78,732						91,494	
Capital outlay								
	\$ 78,732	\$ 8,828	\$ 596	\$ 5,414	\$ 2,436	\$ 1,434	\$ 257,344	\$ 235,918
Excess (Deficiency) of								
Revenues Over Expenditures	\$ 8,103	\$ (8,828)	\$ 54	\$ 151	\$ (2,436)	\$ 4,926	\$ (96,832)	\$ 0
Other financing source -								
operating transfers in		8,800						
Excess (Deficiency) of								
Revenues and Other Financing								
Source Over Expenditures	\$ 8,103	\$ (28)	\$ 54	\$ 151	\$ (2,436)	\$ 4,926	\$ (96,832)	\$ 0
Fund balance at January 1, 2006	10,157	9,668	322	585	2,930	20,509	128,810	0
	\$ 18,260	\$ 9,640	\$ 376	\$ 736	\$ 494	\$ 25,435	\$ 31,978	\$ 0
FUND BALANCE AT DECEMBER 31, 2006								

NOTE: The fiscal year of the Senior Citizens Programs Fund is October 1, 2005 to September 30, 2006.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - OTHER SPECIAL REVENUE FUNDS (CONTINUED)

	Register of Deeds Automation Fund	Gogebic County Search and Rescue Fund	Probation and Supervision Restitution Fund	Drunk Driving Impact Panel Fund	Dare Fund	Victims Advocacy Fund	Drug Forfeiture Fund	Totals
Revenues:								
Taxes								\$ 222,881
State grants								111,800
Charges for services	\$ 27,944		\$ 5,133					119,912
Other revenues		\$ 750				\$ 8,279	\$ 1,600	84,953
	\$ 27,944	\$ 750	\$ 5,133			\$ 8,279	\$ 1,600	\$ 539,546
Expenditures:								
Current:								
Judicial	\$ 3,563							\$ 12,391
Public safety		\$ 2,477	\$ 1,560			\$ 7,289		181,642
Health and welfare								241,332
Recreation and culture								78,732
Capital outlay								91,494
	\$ 3,563	\$ 2,477	\$ 1,560			\$ 7,289	\$ 0	\$ 605,591
Excess (Deficiency) of Revenues Over Expenditures	\$ 24,381	\$ (1,727)	\$ 3,573			\$ 990	\$ 1,600	\$ (66,045)
Other financing source - operating transfers in								8,800
Excess (Deficiency) of Revenues and Other Financing Source Over Expenditures	\$ 24,381	\$ (1,727)	\$ 3,573			\$ 990	\$ 1,600	\$ (57,245)
	60,919	3,639	10,723	\$ 203	\$ 930	5,513	911	255,819
Fund balance at January 1, 2006								
	\$ 85,300	\$ 1,912	\$ 14,296	\$ 203	\$ 930	\$ 6,503	\$ 2,511	\$ 198,574

FUND BALANCE
AT DECEMBER 31, 2006

The accompanying notes are an integral part of the
financial statements.

COMBINING BALANCE SHEET - DEBT SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

	Water Supply System Bonds	Sewage Disposal System Bonds	Total
ASSETS			
Cash	\$ <u>143</u>	\$ <u>0</u>	\$ <u>143</u>
FUND BALANCE			
Fund balance - reserved for debt service	\$ <u>143</u>	\$ <u>0</u>	\$ <u>143</u>

The accompanying notes are an integral part of the
financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - DEBT SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

	Water Supply System Bonds	Sewage Disposal System Bonds	Total
Revenues - contractual payments from City of Ironwood	\$ 37,241	\$ 60,108	\$ 97,349
Expenditures:			
Debt Service:			
Principal retirement	\$ 25,000	\$ 40,000	\$ 65,000
Interest	11,045	20,108	31,153
Fiscal charges	<u>1,207</u>	<u></u>	<u>1,207</u>
	<u>\$ 37,252</u>	<u>\$ 60,108</u>	<u>\$ 97,360</u>
(Deficiency) of Revenues Over Expenditures	\$ (11)	\$ 0	\$ (11)
Fund balance at January 1, 2006	<u>154</u>	<u>0</u>	<u>154</u>
FUND BALANCE AT DECEMBER 31, 2006	<u>\$ 143</u>	<u>\$ 0</u>	<u>\$ 143</u>

The accompanying notes are an integral part of the
financial statements.

COMBINING STATEMENT OF NET ASSETS - ENTERPRISE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

	Major Funds					Nonmajor Funds			
	Medical Care Facility		Airport		Forestry and Parks Commission	Total Major Funds		Gogebic County Transit	
	Operating	Capital Improvement				Funds	Fair Board	Funds	Totals
Current Assets:									
Cash and cash equivalents	\$ 637,090	\$ 15,045	\$ 70,149	\$ 46,592	\$ 768,876	\$ 8,385	\$ 137,056	\$ 145,441	\$ 914,317
Temporary investments				408,152	408,152		105,607	105,607	513,759
Patient accounts receivable	639,692				639,692				639,692
Less allowances	(10,000)				(10,000)				(10,000)
Other accounts receivable	3,770	48,701			52,471		2,354	2,354	54,825
Property taxes receivable	154,921				154,921		714	714	155,635
Grants receivable			5,500		5,500		15,074	15,074	20,574
Due from other funds						1,140	1,140	1,140	1,140
Inventories	49,793	21,202			70,995				70,995
Prepaid expenses	15,334				15,334		4,733	4,733	20,067
Total Current Assets	\$ 1,490,600	\$ 84,948	\$ 75,649	\$ 454,744	\$ 2,105,941	\$ 9,525	\$ 265,538	\$ 275,063	\$ 2,381,004

ASSETS

Noncurrent Assets:									
Land, Buildings and Equipment:									
Land, buildings and equipment	\$ 4,135,396	\$ 8,538,173	\$ 1,147,599	\$ 710,936	\$ 14,532,104	\$ 804,444	\$ 1,120,230	\$ 1,924,674	\$ 16,456,778
Less allowances for depreciation	(2,690,777)	(7,150,831)	(252,192)	(155,707)	(10,249,507)	(153,248)	(674,282)	(827,530)	(11,077,037)
Construction in progress	\$ 1,444,619	\$ 1,387,342	\$ 895,407	\$ 555,229	\$ 4,282,597	\$ 651,196	\$ 445,948	\$ 1,097,144	\$ 5,379,741
			65,103		65,103				65,103
Total Noncurrent Assets	\$ 1,444,619	\$ 1,387,342	\$ 960,510	\$ 555,229	\$ 4,347,700	\$ 651,196	\$ 445,948	\$ 1,097,144	\$ 5,444,844
Other Assets :									
Cash reserved for:									
Funded depreciation	\$ 961,746				\$ 961,746				\$ 961,746
Other restricted	10,562				10,562				10,562
	\$ 972,308				\$ 972,308				\$ 972,308
Total Other Assets	\$ 3,907,527	\$ 1,472,290	\$ 1,036,159	\$ 1,009,973	\$ 7,425,949	\$ 660,721	\$ 711,486	\$ 1,372,207	\$ 8,798,156

COMBINING STATEMENT OF NET ASSETS - ENTERPRISE FUNDS (CONTINUED)

	Major Funds					Nonmajor Funds			
	Medical Care Facility	Operating	Airport Improvement	Forestry and Parks Commission	Total Major Funds	Fair Board	Gogebic County Transit	Total Nonmajor Funds	
LIABILITIES									
Liabilities:									
Current liabilities:									
Accounts payable	\$ 339,749	\$ 24,726		\$ 7,166	\$ 371,641	\$ 806	\$ 13,309	\$ 14,115	
Salaries and wages and related liabilities	203,123	9,846		6,019	218,988		2,454	2,454	
Deferred revenue - property taxes	162,895				162,895				
Current portion of long-term debt			\$ 13,148		13,148				
								13,148	
Total Current Liabilities	\$ 705,767	\$ 34,572	\$ 13,148	\$ 13,185	\$ 766,672	\$ 806	\$ 15,763	\$ 16,569	
								\$ 783,241	
Non-current liabilities:									
Note payable to bank, net of current portion			\$ 45,384		\$ 45,384			\$ 45,384	
Accrued sick and vacation pay	\$ 336,870	\$ 19,740		\$ 30,955	387,565		\$ 17,649	\$ 17,649	
								\$ 405,214	
Total Long-term Liabilities	\$ 336,870	\$ 19,740	\$ 45,384	\$ 30,955	\$ 432,949	\$ 0	\$ 17,649	\$ 17,649	
								\$ 450,598	
Total Liabilities	\$ 1,042,637	\$ 54,312	\$ 58,532	\$ 44,140	\$ 1,199,621	\$ 806	\$ 33,412	\$ 34,218	
								\$ 1,233,839	
NET ASSETS									
Net Assets:									
Invested in capital assets, net of related debt	\$ 1,444,619	\$ 1,387,342	\$ 901,978	\$ 555,229	\$ 4,289,168	\$ 651,196	\$ 445,948	\$ 1,097,144	
Restricted	2,627			25,000	27,627		3,472	3,472	
Unrestricted	1,417,644	30,636	75,649	385,604	1,909,533	8,719	228,654	237,373	
								2,146,906	
Total Net Assets	\$ 2,864,890	\$ 1,417,978	\$ 977,627	\$ 965,833	\$ 6,226,328	\$ 659,915	\$ 678,074	\$ 1,337,989	
								\$ 7,564,317	

Note: The date of the balance sheet of Gogebic County Transit is September 30, 2006.

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - ENTERPRISE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

	Major Funds				Nonmajor Funds			
	Medical Care Facility	Airport Operating	Capital Improvement	Forestry and Parks Commission	Total Major Funds	Fair Board	Gogebic County Transit	Total Nonmajor Funds
Operating revenues - sales and charges for services, net	\$ 8,151,681	\$ 449,214		\$ 540,138	\$ 9,141,033	\$ 122,923	\$ 58,558	\$ 181,481
Other operating revenues	140,319	57,193	17,500	4,810	219,822			219,822
	\$ 8,292,000	\$ 506,407	\$ 17,500	\$ 544,948	\$ 9,360,855	\$ 122,923	\$ 58,558	\$ 181,481
Operating expenses:								
Salaries, fees and fringe benefits	\$ 5,682,751	\$ 270,344		\$ 231,518	\$ 6,184,613	\$ 20,761	\$ 305,825	\$ 326,586
Services, materials and other operating expenses	1,715,140	415,805	55,581	90,534	2,277,060	136,838	105,100	241,938
Depreciation provisions	203,546	169,752	54,686	28,876	456,860	13,678	90,599	104,277
Provision for bad debts	13,190				13,190			13,190
Interest			2,357		2,357			2,357
	\$ 7,614,627	\$ 855,901	\$ 112,624	\$ 350,928	\$ 8,934,080	\$ 171,277	\$ 501,524	\$ 672,801
Operating Income (Loss)	\$ 677,373	\$ (349,494)	\$ (95,124)	\$ 194,020	\$ 426,775	\$ (48,354)	\$ (442,966)	\$ (491,320)
Nonoperating revenues (expenses):								
Property taxes							\$ 130,106	\$ 130,106
Federal grants							68,493	68,493
State grants		\$ 24,341	20,246		\$ 44,587	\$ 36,355	163,441	199,796
Reimbursement				\$ 8,965	8,965			8,965
Interest			(66,134)	18,433	18,433		6,323	24,756
Gain (loss) on asset disposal					(66,134)		2,857	(63,277)
	\$ 0	\$ 24,341	\$ (45,888)	\$ 27,398	\$ 5,851	\$ 36,355	\$ 371,220	\$ 407,575
Income (Loss) Before Operating Transfers and Capital Contributions	\$ 677,373	\$ (325,153)	\$ (141,012)	\$ 221,418	\$ 432,626	\$ (11,999)	\$ (71,746)	\$ (83,745)
Operating transfers from (to) - other funds		173,025	17,500	(250,000)	(59,475)			(59,475)
Capital contributions			12,778		12,778		90,412	103,190
Increase (Decrease) in Net Assets	\$ 677,373	\$ (152,128)	\$ (110,734)	\$ (28,582)	\$ 385,929	\$ (11,999)	\$ 18,666	\$ 6,667
Net assets at January 1, 2006	2,187,517	1,570,106	1,088,361	994,415	5,840,399	671,914	659,408	1,331,322
NET ASSETS AT DECEMBER 31, 2006	\$ 2,864,890	\$ 1,417,978	\$ 977,627	\$ 965,833	\$ 6,226,328	\$ 659,915	\$ 678,074	\$ 1,337,989

Note: The fiscal year of Gogebic County Transit presented above is the period from October 1, 2005 to September 30, 2006.

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

	Major Funds				Nonmajor Funds			
	Medical Care Facility	Operating	Airport	Capital Improvement	Forestry and Parks Commission	Total Major Funds	Fair Board	Total Nonmajor Funds
Cash flows from operating activities:								
Cash received from customers	\$ 8,262,773	\$ 442,830		\$ 544,948	\$ 9,250,551	\$ 122,923	\$ 58,326	\$ 181,249
Cash received from local unit		57,193	\$ 17,500		74,693			74,693
Cash paid to employees	(5,636,147)	(272,265)		(231,309)	(6,139,721)	(20,761)	(302,033)	(322,794)
Cash paid to suppliers	(1,539,310)	(424,580)		(40,835)	(2,089,921)	(136,626)	(116,148)	(252,774)
								(2,342,695)
Net Cash Provided by (Used in) Operating Activities	\$ 1,087,316	\$ (196,822)	\$ (23,335)	\$ 228,443	\$ 1,095,602	\$ (34,464)	\$ (359,855)	\$ (394,319)
Cash flows from capital and related financing activities:								
Proceeds from sale of capital assets							\$ 2,857	\$ 2,857
Acquisition of land, buildings and equipment	\$ (105,761)		\$ (94,599)	\$ (80,842)	\$ (281,202)		(91,238)	(372,440)
Proceeds from borrowing			57,926	1,609	59,535			59,535
Property tax collections	7,974		(13,135)		7,974			7,974
Principal paid on long-term debt			(2,357)		(13,135)			(13,135)
Interest paid					(2,357)			(2,357)
Capital grant received			15,480		15,480		90,412	105,892
Net Cash (Used in) Capital and Related Financing Activities	\$ (97,787)	\$ 0	\$ (36,685)	\$ (79,233)	\$ (213,705)	\$ 0	\$ 2,031	\$ 2,031
Cash flows from noncapital financing activities:								
Operating transfers in (to) other funds	\$ 173,025	\$ 17,500	\$ (250,000)	\$ (59,475)				\$ (59,475)
State and federal grants	24,341				24,341	\$ 36,355	\$ 252,086	288,441
Property tax collections							130,657	130,657
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ 0	\$ 197,366	\$ 17,500	\$ (250,000)	\$ (35,134)	\$ 36,355	\$ 382,743	\$ 419,098
Cash flows from investing activities:								
Purchase of certificates of deposit				\$ (408,152)	\$ (408,152)		\$ (51,546)	\$ (459,698)
Redemption of certificates of deposit				400,000	400,000		50,000	450,000
Interest earned				18,433	18,433		6,323	24,756
Net Cash Provided by (Used in) Investing Activities	\$ 0	\$ 0	\$ 0	\$ 10,281	\$ 10,281	\$ 0	\$ 4,777	\$ 15,058
Net Increase (Decrease) in Cash and Temporary Investments	\$ 989,529	\$ 544	\$ (42,520)	\$ (90,509)	\$ 857,044	\$ 1,891	\$ 29,696	\$ 31,587
Cash and temporary investments at January 1, 2006	619,869	14,501	112,669	137,101	884,140	6,494	107,360	997,994
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2006	\$ 1,609,398	\$ 15,045	\$ 70,149	\$ 46,592	\$ 1,741,184	\$ 8,385	\$ 137,056	\$ 145,441

COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS (CONTINUED)

	Major Funds					Nonmajor Funds		
	Medical Care Facility	Airport		Forestry and Parks Commission	Total Major Funds	Fair Board	Gogebic County Transit	Total Nonmajor Funds
		Operating	Improvement					
Cash flows from operating activities:								
Operating income (loss)	\$ 677,373	\$ (349,494)	\$ (95,124)	\$ 194,020	\$ 426,775	\$ (48,354)	\$ (442,966)	\$ (491,320)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation	\$ 203,546	\$ 169,752	\$ 54,686	\$ 28,876	\$ 456,860	\$ 13,678	\$ 90,599	\$ 104,277
Interest expense			2,357		2,357			2,357
Provision for bad debts	13,190				13,190			13,190
Repairs and maintenance financed by grant awards administered by State of Michigan			20,246		20,246			20,246
(Increase) decrease in current assets:								
Accounts and grants receivable	(29,227)	(6,384)	(5,500)		(41,111)		(232)	(41,343)
Inventories	(4,145)	(6,973)			(11,118)			(11,118)
Prepaid expenses	14,899				14,899		(912)	13,987
Due from other funds						(594)		(594)
Increase (decrease) in current liabilities:								
Accounts payable and due to other funds	150,412	(1,802)		5,338	153,948	806	(10,136)	144,618
Accrued liabilities	61,268	(1,921)		209	59,556		3,792	63,348
Total adjustments	\$ 409,943	\$ 152,672	\$ 71,789	\$ 34,423	\$ 668,827	\$ 13,890	\$ 83,111	\$ 97,001
Net Cash Provided by (Used in) Operating Activities	\$ 1,087,316	\$ (196,822)	\$ (23,335)	\$ 228,443	\$ 1,095,602	\$ (34,464)	\$ (359,855)	\$ (394,319)
								\$ 701,283

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for interest	\$ 2,357	\$ 2,357
Noncash financing activities - Equipment purchase reimbursed by Component Unit	\$ 8,965	\$ 8,965

Note: The fiscal year of Gogebic County Transit presented above is the period from October 1, 2005 to September 30, 2006.

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

Delinquent Tax Revolving Fund					
Number					
	1	2	3	4	5
	Total				
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 291,069	\$ 74,353		\$ 1,291,043	\$ 687,300
Delinquent taxes receivable	<u>49</u>			<u>73,473</u>	<u>531,671</u>
	\$ <u>291,118</u>	\$ <u>74,353</u>	\$ <u>0</u>	\$ <u>1,364,516</u>	\$ <u>1,218,971</u>
					\$ <u>2,948,958</u>
NET ASSETS					
Net assets - Unrestricted	\$ <u>291,118</u>	\$ <u>74,353</u>	\$ <u>0</u>	\$ <u>1,364,516</u>	\$ <u>1,218,971</u>
					\$ <u>2,948,958</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

	Delinquent Tax Revolving Fund				
	Number				
	1	2	3	4	5
	Total				
Revenues:					
Taxes:					
Penalties and interest on taxes	\$ 6,645		\$ 32,419	\$ 84,587	\$ 63,205
Other	<u>9,262</u>	<u>\$ 75,568</u>	<u>6,169</u>	<u>34,337</u>	<u>1,884</u>
					<u>127,220</u>
Total Operating Revenues	\$ 15,907	\$ 75,568	\$ 38,588	\$ 118,924	\$ 65,089
Operating expenses - administrative expenses	<u>3,820</u>	<u>1,270</u>		<u>97</u>	<u>6,593</u>
					<u>11,780</u>
Total Operating Revenues	\$ 15,907	\$ 75,568	\$ 38,588	\$ 118,924	\$ 65,089
Operating Income	\$ 12,087	\$ 74,298	\$ 38,588	\$ 118,827	\$ 58,496
Interest and dividends earned	13,887	55	16,523	51,191	17,897
Transfers in (out):					
General Fund	\$ (140,000)				\$ (140,000)
Internal Service Funds	<u>124,061</u>		<u>\$ (1,266,639)</u>		<u>\$ 1,142,578</u>
					<u>\$ (140,000)</u>
Increase (Decrease) in Net Assets	\$ 10,035	\$ 74,353	\$ (1,211,528)	\$ 170,018	\$ 1,218,971
Net assets at January 1, 2006	<u>281,083</u>		<u>1,211,528</u>	<u>1,194,498</u>	<u>2,687,109</u>
NET ASSETS AT DECEMBER 31, 2006	<u>\$ 291,118</u>	<u>\$ 74,353</u>	<u>\$ 0</u>	<u>\$ 1,364,516</u>	<u>\$ 2,948,958</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

	Delinquent Tax Revolving Fund				
	Number				
	1	2	3	4	5
					Total
Cash flows from operating activities:					
Property tax collections	\$ 12,265	\$ 89,992	\$ 403,394	\$ 865,282	\$ 1,370,933
Other revenues	15,907	75,568	38,588	118,924	314,076
Cash paid to local units				(1,403,546)	(1,403,546)
Cash paid to suppliers	(3,820)	(1,270)		(97)	(5,187)
Net Cash Provided by					
(Used in) Operating Activities	\$ 24,352	\$ 74,298	\$ 128,580	\$ 522,221	\$ 276,276
Cash flows from noncapital financing activities -					
Advances from (to) other funds	(15,939)		(1,266,639)	1,142,578	(140,000)
Proceeds from borrowing				500,000	500,000
Repayment of borrowing				(500,000)	(500,000)
Cash flows from investing activities -					
Interest and dividends earned	13,887	55	16,523	51,191	99,553
Net Increase (Decrease) in					
Cash and Cash Equivalents	\$ 22,300	\$ 74,353	\$ (1,121,536)	\$ 573,412	\$ 235,829
Cash and cash equivalents at January 1, 2006	268,769		1,121,536	717,631	2,107,936
CASH AND CASH					
EQUIVALENTS AT DECEMBER 31, 2006	\$ 291,069	\$ 74,353	\$ 0	\$ 1,291,043	\$ 2,343,765
Cash flows from operating activities:					
Operating income	\$ 12,087	\$ 74,298	\$ 38,588	\$ 118,827	\$ 302,296
Adjustments to reconcile operating income to net cash					
provided by (used in) operating activities -					
(Increase) decrease in delinquent taxes receivable	12,265		89,992	403,394	(26,020)
Net Cash Provided by					
(Used in) Operating Activities	\$ 24,352	\$ 74,298	\$ 128,580	\$ 522,221	\$ 276,276

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - AGENCY FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

	Agency Funds			
	Library Penal Fine Fund	Trust and Agency Fund	Voluntary Employees' Beneficiary Association	Total
ASSETS				
Temporary investments	\$ 81,150	\$ 837,233	\$ 231,391	\$ 1,149,774
LIABILITIES				
Due State of Michigan		\$ 6,203		\$ 6,203
Due to other funds		63,796		63,796
Undistributed receipts	\$ 81,150	234,410	\$ 231,391	546,951
Undistributed tax collections		532,824		532,824
	\$ 81,150	\$ 837,233	\$ 231,391	\$ 1,149,774

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF CHANGES IN

GOGEBIC COUNTY,

Year ended

	Library Penal Fine Fund			
	Balance at January 1, 2006	Additions	Deductions	Balance at December 31, 2006
ASSETS				
Temporary investments	<u>\$ 63,522</u>	<u>\$ 150,385</u>	<u>\$ 132,757</u>	<u>\$ 81,150</u>
LIABILITIES				
Due State of Michigan				
Due to other funds	\$ 2,500		\$ 2,500	
Undistributed receipts	61,022	\$ 150,385	130,257	\$ 81,150
Undistributed tax collections				
	<u>\$ 63,522</u>	<u>\$ 150,385</u>	<u>\$ 132,757</u>	<u>\$ 81,150</u>

NOTE: Detail of additions and deductions of Trust and Agency Fund liabilities is not available.

The accompanying notes are an integral part of the financial statements.

ASSETS AND LIABILITIES - AGENCY FUNDS

MICHIGAN

December 31, 2006

Trust and Agency Fund				Voluntary Employee's Beneficiary Association		
Balance at January 1, 2006	Additions	Deductions	Balance at December 31, 2006	Balance at January 1, 2006	Additions	Balance at December 31, 2006
<u>\$ 1,192,749</u>	<u>\$ 11,141,951</u>	<u>\$ 11,497,467</u>	<u>\$ 837,233</u>	<u>\$ 0</u>	<u>\$ 231,391</u>	<u>\$ 231,391</u>
\$ 5,424 }			\$ 6,203			
546 }	\$ 11,141,951	\$ 11,497,467	63,796			
497,079 }			234,410	\$ 0	\$ 231,391	\$ 231,391
<u>689,700 }</u>			<u>532,824</u>			
<u>\$ 1,192,749</u>	<u>\$ 11,141,951</u>	<u>\$ 11,497,467</u>	<u>\$ 837,233</u>	<u>\$ 0</u>	<u>\$ 231,391</u>	<u>\$ 231,391</u>

STATEMENT OF PLAN NET ASSETS - PENSION TRUST FUND

GOGEBIC COUNTY, MICHIGAN

December 31, 2006

ASSETS		
Investments, at fair value:		
Money market funds	\$ 482,911	
U.S. Treasury and agency obligations	3,925,233	
Domestic corporate bonds	3,038,016	
Mortgage / asset backed securities	5,434,941	
Domestic stocks	<u>24,379,440</u>	\$ 37,260,541
Accrued interest receivable		95,097
Accounts receivable		<u>8,741</u>
		<u>\$ 37,364,379</u>
NET ASSETS		
Net assets held in trust for pension benefits		<u>\$ 37,364,379</u>

The accompanying notes are an integral part of the
financial statements.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Catalog of Domestic Assistance Number	Federal Expenditures
PRIMARY GOVERNMENT		
<u>U.S. Department of Housing and Urban Development</u>		
Passed through State of Michigan Department of Housing Development:		
Community Development Block Grant - MSC 2003-0738-HOA	14.228	\$ 11,678
Community Development Block Grant - MSC 2005-0738-HOA	14.228	16,997
		\$ 28,675
<u>U.S. Department of Transportation</u>		
Passed through State of Michigan Department of Transportation:		
Section 18 Capital Assistance 2002-0039/Z7	20.509	\$ 47,183
Section 18 Capital Assistance 2002-0039/Z6	20.500	25,146
Section 18 Operating Assistance 2002-0039/Z10/R1	20.509	68,493
Total U.S. Department of Transportation		\$ 140,822
<u>U.S. Department of Health and Human Services</u>		
Passed through State of Michigan Department of Social Services -		
Prosecuting Attorney Legal Support Contract	93.563	32,660
<u>Other Federal Assistance</u>		
Direct Program - Department of the Interior - payment in lieu of taxes	15.226	\$ 310,766
Passed through State of Michigan - Department of State Police:		
2004 Hazardous Materials Emergency	20.703	662
2006 Emergency Management Performance	97.042	5,126
2005 Law Enforcement Terrorism	97.067	1,807
2005 Homeland Security Equipment	97.067	3,291
2004 Homeland Security Equipment	97.004	21,381
2005 Homeland Security Training	97.067	3,000
Passed through Western U.P. Manpower Consortium -		
wage reimbursement	17.250	2,800
Total Other Federal Assistance		\$ 348,833
Total Primary Government Expenditures of Federal Awards		\$ 550,990

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Catalog of Domestic Assistance Number	Federal Expenditures
COMPONENT UNITS		
<u>U.S. Department of Transportation</u>		
Administered by State of Michigan Department of Transportation:		
Federal "D" Funds - Project Number 73573A	20.205	\$ 73,554
Surface Transportation Program - Project Number 73573A	20.205	35,663
Passed through State of Michigan Department of Transportation:		
Federal "D" Funds - Project Number 55804A	20.205	74,510
Surface Transportation Program - Project Number:	20.205	
54649A		72,344
73499A		72,295
86846A		73,791
86847A		68,575
Hazard Elimination Safety Funds - Project Number 84905A		<u>70,960</u>
Total U.S. Department of Transportation		\$ 541,692
<u>U.S. Department of Health and Human Services</u>		
Passed through State of Michigan Department of Community		
Mental Health:		
Strong Families/Safe Children	93.556	\$ 9,608
OBRA	93.778	11,993
Respite Mental Health	93.958	1,696
MICChild	93.767	<u>2,727</u>
Total U.S. Department of Health and Human Services		\$ 26,024
<u>U.S. Department of Education</u>		
Passed through State of Michigan Department of Labor and		
Economic Growth - MRS Grant	84.126	18,126
<u>U.S. Department of Veterans Affairs</u>		
Passed through State of Michigan Department of Community		
Mental Health:		
Veterans Medical Services	64.009	<u>14,044</u>
Total Component Units Expenditures of Federal Awards		\$ <u>599,886</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u>1,150,876</u>

NOTE: The State of Michigan Department of Transportation, as an agent of the Federal Highway Administration, is responsible for controlling the receipts and disbursements related to the funds for the above component unit projects.

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Gogebic County, Michigan, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

2. Loans Outstanding - Gogebic County, Michigan, had no loan balances outstanding at December 31, 2006.

3. Subrecipients

Of the federal expenditures presented in the schedule, Gogebic County, Michigan, provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.228	\$28,675

4. The U.S. Department of Transportation Programs, Federal C.F.D.A. Number 20.205 and the Department of Interior Program, Federal C.F.D.A. Number 15.226 are considered Type A programs and all other programs are considered Type B programs. The Type A programs were selected as major programs using the risk-based audit approach.

5. Component Unit Excluded from Schedule of Expenditures of Federal Awards

Western Upper Peninsula Manpower Consortium, a component unit of Gogebic County, Michigan, contracted to have its own Single Audit for its year ended June 30, 2006. Accordingly, the Schedule of Expenditures of Federal Awards excludes any information pertaining to Western Upper Peninsula Manpower Consortium. A copy of the Consortium's Schedule of Expenditures of Federal Awards can be obtained at their offices at 100 West Cloverland Drive, Ironwood, Michigan 49938.

SCHEDULE OF AIRPORT PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

Passenger facility charges collected	\$ 8,657
Passenger facility charges expended - annual loan payment	<u>8,657</u>
Excess of passenger facility charges collected over passenger facility charges expended	<u>\$ 0</u>

SUPPLEMENTAL
REPORTS

JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
W. J. JOKI, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
MEMBERS

TELEPHONE
906-932-4430
FAX
906-932-0677
EMAIL
jmp@ironwoodcpa.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Commissioners
Gogebic County, Michigan
Bessemer, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gogebic County, Michigan, as of and for the year ended December 31, 2006, which collectively comprise Gogebic County, Michigan's basic financial statements and have issued our report thereon dated June 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gogebic County, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gogebic County, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gogebic County, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Gogebic County, Michigan's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Gogebic County, Michigan's financial statements that is more than inconsequential will not be prevented or detected by

Gogebic County, Michigan's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2006-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Gogebic County, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gogebic County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Gogebic County, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Gogebic County, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Mahala & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
June 27, 2007

JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
W. J. JOKI, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
MEMBERS

TELEPHONE
906-932-4430
FAX
906-932-0677
EMAIL
jmp@ironwoodcpa.com

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Commissioners
Gogebic County, Michigan
Bessemer, Michigan

Compliance

We have audited the compliance of Gogebic County, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Gogebic County, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of Gogebic County, Michigan's management. Our responsibility is to express an opinion on Gogebic County, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gogebic County, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Gogebic County, Michigan's compliance with those requirements.

In our opinion, Gogebic County, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of Gogebic County, Michigan, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Gogebic County,

Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gogebic County, Michigan's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joti, Mahala & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
June 27, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

SECTION I - SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Gogebic County, Michigan.
2. There was one significant deficiency disclosed during the audit of the financial statements to be reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Audit Standards*.
3. No instances of noncompliance material to the financial statements of Gogebic County, Michigan, were disclosed during the audit.
4. There were no deficiencies in internal control over compliance disclosed during the audit of the major federal award programs to be reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Gogebic County, Michigan, expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Gogebic County, Michigan, to be reported in Section III of this schedule.
7. The programs tested as major programs are the U.S. Department of Transportation Program under C.F.D.A. Number 20.205 and the Department of Interior Program, Federal C.F.D.A. Number 15.226.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Gogebic County, Michigan, was determined to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

2006-1 Public Act 621 of 1978 Disclosure

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the County's actual expenditures and budget have been shown on a functional basis. The approved budgets for the County for these budgetary funds were also adopted on the functional level.

During the year ended December 31, 2006, the County incurred expenditures in certain of its budgetary activities, which were in excess of the amounts budgeted as follows:

<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	(Unfavorable) <u>Variance</u>
Special Revenue Funds -			
Capital outlay	\$ 49,000	\$ 91,494	\$ (42,494)

We recommend that the Board of Commissioners amend its budget prior to year-end to avoid expenditures in excess of budget.

County response to recommendation – The Board agrees with the recommendation and will monitor the budget and make amendments when appropriate.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings or questioned costs disclosed during the audit of the major federal award program.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2006

There were no findings or questioned costs during the prior year major federal award program audit.